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CONTENTS

POLITICAL

BELGIUM

- CVP Views on Happart Issue, Coalition Issues
(Herman Suykerbuyk Interview; KNACK, 6 May 87)..... 1

DENMARK

- Security Policy Differences Voiced at Folketing Closing Debate
(BERLINGSKE TIDENDE, various dates)..... 5
- Foreign Minister Blames Left, by Carl Otto Brix, et al. 5
Schluter Defends Record, by Carl Otto Brix, et al. 6
Government's Worst Year 7
SDP Fumbling in Opposition 11

DENMARK/GREENLAND

- Motzfeldt Seen Hostage for Siumut Party's Left Wing
(Ole Dall; BERLINGSKE TIDENDE, 29 May, 2 Jun 87)..... 15
- Minister Hoyem on Politics 15
Party Wants Security Panel 19
Challenger Johansen Profiled 21

Siumut, Inuit Ataqatigiit Hammer Out Cabinet, Ruling Pact (BERLINGSKE TIDENDE, 10 Jun 87).....	23
GREECE	
Confidence Vote Seen Not Resolving Situation (Kosta G. Skouras; I VRADYNI, 25 May 87).....	25
KKE Official on Dependence on Moscow (I VRADYNI, 25 May 87).....	28
EEC Report Points to Continued Inflation, Deficits (I VRADYNI, 22 May 87).....	30
ITALY	
PCI's Cossutta Views Gorbachev's Changes, Relations With USSR (Gianni Corbi; L'ESPRESSO, 8 Feb 87).....	32
Former CGIL Leader Cites Errors by PCI Leaders (Giampaolo Pansa; L'ESPRESSO, 19 Apr 87).....	35
MALTA	
Former Prime Minister Accepts Opposition Role, Democratic Process (Piero Benetazzo; LA REPUBBLICA, 15 May 87).....	43
NORWAY	
Poll Shows Most Support for Labor Party Government (AFTENPOSTEN, 18, 19 May 87).....	46
Decline From January Figure, by Finn Langeland	46
Paper Analyzes Poll, Editorial	48
Elections Analyst Valen: Trend Toward Left, Right Polarizing (Kjell Hanssen; AFTENPOSTEN, 23 May 87).....	49
PORTUGAL	
Projections for Upcoming Parliamentary Elections Analyzed (Jose Antonio Lima; ESPRESSO, 1 May 87).....	54
Comments on PCP Coalition Strategy, CDU Creation (DIARIO DE NOTICIAS, 6, 9 May 87; ESPRESSO, 9 May 87)....	60
PCP Reluctant To Stand Alone, Editorial	60
PSP's 'Intolerable' Isolation, by Antonio Mega Ferreira	61
Advantages of 'Hard Line', by Teresa de Sousa	64

Briefs	
PS Radicalization Seen	65

MILITARY

DENMARK

Defense Plan Consensus Seen Closer Following U.S. Visit (BERLINGSKE TIDENDE, various dates).....	66
Foreign Minister Rejects 'Footnotes', by Thorkild Dahl	66
Defense Minister Before Folketing, by Thorkild Dahl	67
Parties Optimistic Following Talks, by Bent Albrechtsen	71

Navy Takes Delivery of First Standard Flex 300 (Nils Eric Boesgaard; BERLINGSKE TIDENDE, 13 Jun 87).....	74
---	----

Briefs	
Increased Civil Defense Funds	76

NORWAY

Concern Over Canadian Announcement on Reinforcement Plans (AFTENPOSTEN, various dates).....	77
'Serious Setback' For Security, Editorial	77
Earmarked Until Replacement Found	78
Search For Replacement, by Werner Christie	78

Wartime Air Naval, Land Reinforcement Needs Viewed (Liv Hegna; AFTENPOSTEN, 6, 18, 19 May 87)	81
NATO Would Secure Airspace	81
Navy Requires Allied Assistance	83
Concern Over Land Reinforcements	86

Ex-Foreign Ministry Official Authors Work on Northern Security (Alf Seeland; AFTENPOSTEN, 18 May 87).....	89
--	----

Socialist Left Attempt To Halt AWACS Rejected in Parliament (Morten Malmo; AFTENPOSTEN, 20 May 87).....	91
--	----

PORTUGAL

Azores Seen Not Benefiting From U.S. Bases (Jose Nunes; TEMPO, 7 May 87).....	92
--	----

ECONOMIC

EUROPEAN AFFAIRS

- Norwegian Professor: Nordic Economies Need Restructuring
(Johan A. Lybeck; AFTENPOSTEN, 25 May 87)..... 94

DENMARK

- Government Expenditures at Record Level
(Frank Dahlgaard; BERLINGSKE TIDENDE, 29 May 87)..... 97

- Government Again Forced To Borrow Due to Budget Deficit
(Morten Larsen; BERLINGSKE TIDENDE, 2 Jun 87)..... 101

GREECE

- Briefs
February Deposits Down 103

ITALY

- Agnelli Fortifies Family Control of Fiat, IFI
(Giuseppe Turani; LA REPUBBLICA, 8 May 87)..... 104

NORWAY

- Economists Urge Continuing Measures To Hold Line on Budget
(AFTENPOSTEN, 18, 23 May 87)..... 111

- Inflationary Factors in Budget, by Cecilie Norland 111
Finance Minister Replies, by Gunnar Berge 112

- Oil Price Rise Seen Only Slight Boost for 'Mainland' Sector
(Cecilie Norland; AFTENPOSTEN, 18 May 87)..... 115

- Briefs
Country's Imports Increase 117

SOCIAL

FEDERAL REPUBLIC OF GERMANY

- Press Discusses Current Employment Issues
(FRANKFURTER ALLGEMEINE, 4 Jun 87; HANDELSBLATT,
18 May 87)..... 118

- Latest Unemployment Data 118
Parties' Reactions Differ 119
Labor Market Remedies Suggested 120

ITALY

- Briefs
ENEA, Ministry Collaborate on Pollution 122

CVP VIEWS ON HAPPART ISSUE, COALITION ISSUES

Brussels KNACK in Dutch 6 May 87 pp 12-15

[Article and interview with CVP member of parliament Herman Suykerbuyk, by Chris de Stoop and Frans Verleyen: "How Great Must a New Action Be?"]

[Text] The month of May began with a pileup of political difficulties--typical for the sixth Martens cabinet--inherited from the recent past, when the situation was similarly unsolvable. The cat with its nine lives is chasing its own tail.

"If the government does not come up with a new action, then there will no more government." Leader of the CVP parliamentary caucus Luc van den Brande thus made another of his grand pronouncements. This time, it was again about the role of Jose Happart in the municipal government of Voeren. The Flemish Christian Democrats want to put a permanent end to the merry-go-round (if not the roller coaster) on which "gang leader H." allows himself to be suspended, re-elected, suspended, re-elected, dismissed, re-elected... Since 1 January 1984, he has taken the oath of office as mayor or deputy mayor seven times.

In recent days, one top-level meeting after another has taken place. Prime Minister Martens has spent many hours in the company of his five most important ministers: Jean Gol, Philippe Maystadt, Guy Verhofstadt, Jean-Luc Dehaene and Joseph Michel, the quiet successor to Charles-Ferdinand Nothomb, who six months ago was forced to hand over his title as vice prime minister to Maystadt.

Public Official

The gentlemen were in a hurry. This week, Thursday afternoon, 7 May, a very difficult moment in parliament was arriving. The CVP, which after the social elections in which the ACV did well had no reason to sow political discord, had gotten entangled right before the Easter recess in a couple of brave statements by Happart expert Herman Suykerbuyk and Luc van den Brande, quoted above.

It is odd that the Flemish Christian Democrats, who in the past have been very unlucky with the outcome of their own declarations of war and were soundly laughed at for that reason at the Flemish National Songfest last Sunday, would

take this umpteenth verbal risk. After all, they know from experience that after dramatically raising the interregional stakes they always suffer an electoral defeat. Moreover, the group within the CVP that is slowly getting fed up with the nearly interminable prime ministership of Wilfried Martens is still too small and too uncertain to draw the deadly sword inside and outside party headquarters. At an earlier time, a clever member of parliament like Jan Verroken was able to put the Vanden Boeynants-De Clercq cabinet out to pasture over the Louvain question. Whoever in today's CVP would like to undertake a similar operation against Martens must have many skills up his sleeve and be well prepared for his task. The leader of the government has a good memory, and in every crisis period counts the noses of the disaffected.

For the observer, it is clearly useful to understand that the current contrariness of the CVP caucus does not have to do with Jose Happort alone. Within the party, some also wanted to test the prime minister and see how he would do as a referee between the Flemish and the French-speaking ministers. The prime minister actually had little elbow-room in the matter; it was he who made a public statement several days after the famous ruling by the Council of State (30 September 1986). According to Wilfried Martens, this ruling contained the unmistakable order that Jose Happort could not be mayor or even alderman of Voeren. "In this regard, the Council of State regards him as a public official, subject to the Language Act."

The cabinet was able to win time for 7 months, even providing for the appointment of a "coalition-formation intermediary" on the spot (of which little has been heard in the meantime) and with the threat of a increasing loss of face for Kempen member of parliament Herman Suykerbuyk, who attempted to force a position from the government using tenacious, slow patience.

But because the majority is naturally extremely divided on the issue, and has been since 1982, it has stubbornly refused to deal with the Voeren controversy. The official line--one with which the CVP was, after all, in agreement--was that the Limburg provincial government would have to be able to exercise his normal guardian role. The more the latter did just that, with the necessary degree of caution and with one eye towards the government calendar, the closer the fatal day of decision came.

Government Commissioner

In the hours immediately preceding the parliamentary session planned for Thursday, the political scene clammed up tightly. It was known that Jean Gol and Jean-Luc Dehaene had a plan that was to be made public by Thursday morning and that it was not a simple one. It was also known that the Flemish PVV (who spent all day Monday in special session at the restaurant De Kroon in Onze-Lieve-Vrouw-Lombeek) was wondering what would happen if it were to not support the CVP motion demanding the removal of Happort once and for all. Chairman Annemie Neyts wanted to deal with the whole affair within the broader context of all communities on the language border and of the 1988 council elections. If the PVV were to abstain, the government--with the support of all the French-speaking parties, including those of the opposition--would in the meantime get its majority.

Against this strategic and tactical backdrop, and while the PSC began to make more difficulties, the editorial staff of KNACK spoke with CVP member of parliament Herman Suykerbuyk. He was strikingly unshakable.

Herman Suykerbuyk: The purpose of the motion is simple. The Council of State has nullified Happart's appointment, and this nullification must now be implemented in practice. It is no longer possible to act as if nothing is going on, not even through drawing up a general arrangement for 1988 or through other escape routes. The guardianship procedure has been played out in full. There too, the appointment has been nullified, and Jose Happart must accept that. Consideration can be given to sending a government commissioner. I know that the French speakers will raise all sorts of arguments against that, but its value is obvious.

KNACK: Unfortunately, the governor is presently on vacation for some time. He can thus take no more initiatives.

Suykerbuyk: The point is that he was capable of taking initiatives for some time. I say that he did not do it, and I have the impression that he will never do it. He does nothing. But even if he is away, there is always a deputy governor. The problem is not linked to the temporary unavailability of that man.

KNACK: Does the government have other alternatives, in your opinion?

Suykerbuyk: It has all the alternatives offered by the Municipality Act, including Article 88 concerning the sending of a commissioner. I don't care how that works out technically or legally. What it comes down to is that the spirit of the decision by the Council of State finally be respected, a decision that states that Happart cannot be mayor and that someone else must thus become mayor. If such a mayor cannot be found, then there must be a commissioner. This is ultimately not a political problem, but rather a purely legal one.

KNACK: How will you react if the PVV abstains, thus helping the government to gain a majority?

Suykerbuyk: That is mathematically possible. Should things come to that stage, the CVP caucus would regret that the Flemish liberals display so little courage. But we see no conflict there between coalition parties. After all, the PVV did not sign on when the motion was introduced in the parliamentary commission. We made no problems about that.

KNACK: So at the end of this week either Happart will be gone or the government will be gone, as far as you are concerned?

Suykerbuyk (laughs aloud): I dare not guarantee who or what will be gone. What is clear to me is that there is scarcely any room left for compromise. After all, there are not that many different ways to remove someone from office. [End of interview]

It is not only about the Happart affair that the CVP is on edge. An important step must also be made in parliamentary action on the liberal-socialist legislation on the termination of pregnancy. The coalition agreement stipulates that this topic can be dealt with freely in the Chamber and Senate, so that the cabinet need not lapse into discord on the issue. However, the CVP continues to oppose this proposal and regards the quest for an (attainable) alternating majority as an unfriendly act on the part of Senator Herman-Michielsens and her PVV. The Christian Democrats are strengthened in this by the growing number of expressions of opposition to any leniency in criminal legislation pertaining to abortion. Physician leader Dr Wynen feels that medical personnel have something more to say; the pope spoke out sharply against the relaxed legislation introduced in the Federal Republic of Germany during his visit there, and the Pro Vita group has also made its voice heard in recent days.

Seven Percent

One could almost overlook the fact that there is also a conflict within the coalition over the new military conscription legislation--which is also to be dealt with this week in the Chamber--containing the proposal to lengthen compulsory military service. The CVP still wants to add amendments to those measures, while Minister of Interior Joseph Michel has discretely threatened to resign if they are approved.

By 15 May, the sixth Martens cabinet wants to finally examine a number of internal reports on the situation on the labor market and on prospects for the 1988 budget. As everyone knows, Vice Prime Minister Guy Verhofstadt has proposed that the budget deficit be pushed back next year to the agreed upon seven percent of the GNP. He has not yet taken a good look at 1989, an election year. As is customary, there is no chance of any cutbacks under these circumstances. The most prominent members of the cabinet (Gol, Maystadt, Daniel Coens) do not want to hear about the application of major savings measures. In private, almost all the ministers are basically fed up with the Saint Anne savings measures. Perhaps Verhofstadt is consequently asking for more than he really wants in 1988: a budget deficit of less than 400 billion francs (a figure with a 3 in it) would be fine enough for him. Should he encounter too little good will, then he has another point from the government declaration that is awaiting quick implementation: the full or partial privatization of a number of nationalized companies. Debate on this issue has been dormant for several weeks, but further work is being done on this behind the scenes by Flemish liberal ministers, influential businessmen and potential stockholders in Belgium and abroad.

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SECURITY POLICY DIFFERENCES VOICED AT FOLKETING CLOSING DEBATE

Foreign Minister Blames Left

Copenhagen BERLINGSKE TIDENDE in Danish 4 Jun 87 p 4

[Article by Carl Otto Brix, Morten Larsen, and Kim Mesterton]

[Text] No unity if the Social Democratic Party will adhere to the twenty resolutions that the party took part in adopting outside of the government.

The broad security policy majority will not be recreated if the Social Democratic Party adheres to the resolutions which in about twenty cases in the last 5 years have been adopted by a majority outside of the government.

The above statement was made by Foreign Minister Uffe Ellemann-Jensen (Liberal Party) during the concluding debate of the Folketing yesterday.

Foreign Minister Uffe Ellemann-Jensen's speech from the rostrum was occasioned by a remark from Niels Helveg Petersen (Radical Liberal Party). He deplored the fact that Ellemann-Jensen had scoffed at the work in the security policy committee of the Folketing--the so-called Østergaard Committee. The foreign minister denied having done that.

"The government attaches extremely great importance to that work. What I said was that the negotiations between the two superpowers may have had the effect that time has run out for the security policy debate the way it has been conducted in this country during the last few years." he said.

The foreign minister launched an attack on the cooperation of the Social Democratic Party with the Socialist People's Party, saying that there will be no agreement in the security policy area if the Social Democratic Party adheres to the resolutions the party has voted through the Folketing while it has been in opposition.

"The Social Democratic Party has deposited its freedom of action with the Socialist People's Party; the debate today shows it," said Ellemann-Jensen.

"I will not say that it was the most unwise speech made by the foreign minister," said Svend Auken (Social Democratic Party), "for it has got keen competition. It was no wise, though perhaps an honest speech. It explains why nothing came out of the committee work, the idea of which was the Social Democratic Party. The government has been unyielding, and that is the way things have continued," said Svend Auken.

Prime Minister Poul Schluter said in his opening speech that "we ought to be able to agree in the so-called Østergaard Committee and on a new defense agreement as well, but I suppose that will happen after the election."

Schluter Defends Record

Copenhagen BERLINGSKE TIDENDE in Danish 4 Jun 87 p 4

[Article by Carl Otto Brix, Morten Larsen, Kim Mesterton]

[Text] The prime minister warned the voters against putting a government composed of the Social Democratic Party and the Socialist People's Party in charge of the country, while the Social Democratic Party and the Socialist People's Party stated that they agreed with one another in nine out of ten cases.

"The least misleading statement in Svend Auken's speech was his introductory statement: This year we shall have a new election. That is right--unless it is wrong. It may be next year."

Prime Minister Poul Schluter (Conservative Party) answered the Social Democratic spokesman with these words after a long day's concluding debate.

The joint efforts of the Social Democratic Party and the Socialist People's Party to bring about an election now through a draft resolution did not succeed. The two parties only got support for the proposal from the Left-Socialist Party, and that only helped them achieve 70 votes as against the 76 votes of the coalition parties plus the votes of the Radical Liberal Party and the Progressive Party. A proposal from the Progressive Party only got the party's own three votes.

The prime minister said that he does not believe in the prognoses to the effect that there will be upwards of 300,000 unemployed next year. The evaluation of the labor market committees indicate approximately 220,000 unemployed on an annual basis, and the government will not accept an increase in the unemployment rate beyond the 300,000 unemployed, the government chief said.

"It is very understandable that Svend Auken has drawn the attention to the most gloomy predictions, for they are most in keeping with the figures that applied when he was minister of labor," Poul Schluter said.

The prime minister said that the recipe of the Social Democratic Party and the Socialist People's Party for a solution to the economic problems follow the old, poor recipe: an increasing public consumption, causing unemployment.

He warned the voters against putting the Social Democratic Party and the Socialist People's Party at the helm. "I believe that the voters have to pay attention. It will become a costly acquaintance, and we shall end up in the situation that prevailed in 1982."

Anker Jørgensen (Social Democratic Party) charged the prime minister with wanton use of the figures, saying that the Social Democratic Party agrees with the Socialist People's Party in nine out of ten cases.

The only heated section of the concluding debate occurred when Mimi Stilling Jakobsen (Center Democrats) collided with several representatives of the Social Democratic Party and the Socialist People's Party. The minister of social affairs wanted her political opponents to understand her viewpoints on welfare recipients and workers on low pay. "It is unreasonable that the woman who at 6:30 a.m. cycles to the infant day-care center with two children before going to work earns 1,400 kroner less per month than the person receiving cash relief."

Asbjørn Agerskou (Socialist People's Party) asked whether the minister wanted to reduce the cash relief in order to force "the lazy" recipients of relief onto the labor market. "No," the minister shouted from her seat. "The aim is to raise the cost of a place in a day-care center to such a level that it does not pay for both spouses to be in the labor market," said Mogens Lykkesøft (Social Democratic Party). The minister of social affairs could not accept that interpretation either. She said that her aim was to get not least the young people out of the passive situation as recipients of relief and into the labor market.

Government's Worst Year

Copenhagen BERLINGSKE TIDENDE in Danish 9 Jun 87 p 10

[Commentary by 'Monitor']

[Text] The Folketing has gone into recess after the government's worst year. The environmental panic led to the hitherto worst conflicts within the government, and the balance of payments developments were long disastrous.

The Folketing session, however, ended well for the government with important agreements with the Radical Liberal Party on profit sharing and an environmental plan, and the trade balance improved dramatically in the first quarter of the year.

The Folketing has gone into recess and will, in all probability, not meet until after the opening of the Folketing in October. The government probably takes a sigh of relief after having got through what may only be perceived as its worst year.

The period since the opening of the Folketing has been rather tumultuous. The impression of stability they had managed to create was, to a certain

extent, jeopardized. The cues are balance of payment and potato diet, environmental panic, and obvious internal disputes within the government as well as an increasing tax pressure and a worn government profile.

During the first years of the government, the economic policy--the development in the state finances, the employment rate, etc.--was surprisingly successful. Surprisingly successful probably both to the government and, at any rate, to the large number of economists within as well as outside the central administration, who consistently completely mistook the economic development. The balance of payments trends, on the other hand, were disastrous, forcing the government to carry through the potato diet at the start of the Folketing session.

The potato diet was the first serious sign of the government's profile problems. It was a big disappointment to many nonsocialist voters, who viewed it as a rather unliberal, not to say traditional Social Democratic measure of intervention of the type which the Four-Leaf-Clover government had more or less consigned to oblivion.

The government's profile problems increased at the turn of the year. A number of major as well as minor issues which happened to come to the fore at the same time contributed to giving the impression of an unliberal government with guardianship tendencies. There were the new withholding tax cards, which were the taxpayers' first practical encounter with the tax reform. They were entirely incomprehensible and therefore gave rise to much anger and frustration. It was, among other things, found by most people that the withholding tax percentage had been reduced, but the tax that had been withheld in terms of kroner had increased.

This was not so much due to the tax reform as to a change in the method of calculating the withholding tax percentages, involving lower withholding tax percentages and smaller deductions. There were no technical reasons for the change. It was even questionable from a tax technical point of view, because the difference between the withholding tax percentage and the marginal percentage increased, resulting in an increased risk of major tax arrears.

The reorganization, moreover, had the absurd consequence that some wage earners and salary receivers received ten postal check tax inpayment forms on top of the tax withheld when receiving their pay checks.

The entire affair was embarrassing for the government since the only purpose of the reorganization had been to hoodwink the taxpayers with regard to their actual marginal tax percentages.

On top of the withholding tax cards came the problem of the increasing border trade and Isi Foighel's lack of appreciation that it was due to fundamental defects in the tax system. In addition, the minister for transportation entirely refused to consider a liberalization of people's access to satellite television programs. And the cup became filled to overflowing when the minister for transportation set the stage for a rejection of the application for low airfares to New York.

Individually, the unliberal reactions were bad enough as it was. When combined, they constituted an explosive mixture, and it was quite clear that the basis had been created for a rebellion among the nonsocialist voters.

Poul Schluter, who is very perceptive, very soon sensed this. Among other things, by personally intervening in some of the cases, he managed to stave off the worst disasters. The parabola regulations were liberalized, and the Danes were allowed to fly on low airfares to New York.

And Poul Schluter did not leave it at that. Since the New Year, in meetings, in interview and whenever the opportunity presented itself, he has clearly endeavored to mark the nonsocialist profile of the government more strongly. He has done so by modifying earlier statements to the effect that ideology is nonsense, but also by dissociating himself from the ministers within the government who had let it be known that the public sector had the right size.

The environmental policy is the area which in the past Folketing session has experienced its worst storms. The political panic spread when the president of the Society for the Preservation of Natural Amenities in a television newscast presented his rescue plan for the Danish waters. The subsequent developments are a frightening indication of the power of the media to control the political decision-making process, and it is a frightening reflection of the lack of ability on the part of the Folketing to resist more or less accidental waves of public sentiment.

Politically, the situation was extremely dangerous for the government for two reasons. First, the environmental issue is one of the areas where the Social Democratic Party may succeed in bringing about a split between the government and the Radical Liberal Party. Second, the pollution of the Danish waters caused the hitherto most serious internal split within the government. It was painful for the supporters of the government to witness the battle between Britta Schall Holberg and Chr. Christensen.

In this connection, however, things went far better than expected. The worst aberrations within the anti-pollution plans for the Danish waters were removed, and a more realistic time schedule was adopted than the one initially proposed. Politically, it is of great importance that the endeavor on the part of the Social Democratic Party to bring about a split between the government and the Radical Liberal Party failed.

At the start of the Folketing session, many had expected the collective bargaining negotiations to become the government's major problem, among other things, against the background of the experiences in 1985. Things went entirely differently. The collective bargaining in the private as well as the public labor markets went faster and more smoothly than had been the case in many years.

This impression is not marred by the two instances of intervention of the Folketing in the strike of physicians as well as the strike of the rescue squad. Though dramatic, they were of little consequence in the whole situation. The strike of the rescue squad had primarily been caused by the confusion and lack of credibility that have marked the Semi-Skilled Workers Union during the

chairmanship of Hardy Hansen. This applies both in conjunction with the ballot on the result of the collective bargaining and the subsequent negotiations on an emergency squad.

Even if the collective bargaining went smoothly, this may nevertheless prove to become a problem to the government. The reason why the negotiations went so smoothly was primarily the generous concessions in both the private and the public labor markets. In the light of the economic realities, the concessions made were far too generous. They will create major problems for the economic policy. It therefore probably was a brief respite gained by the government in this area.

The Folketing session concluded with a deluge of expenditure-requiring Folketing decisions and laws more or less willingly accepted by the government. Musicians, elementary schools and other worthy sectors received subsidies. As the election approaches, the willingness to reject any proposals at all becomes weaker. This is primarily dangerous for the economic policy, but it may also be regarded as a symptom that the government has not succeeded in making any fundamental changes in the expenditure-causing mechanisms within the public sector.

Politically, it is absolutely necessary for the nonsocialist government to undertake actual reforms within the public sector. This might very well be done by providing the modernization program in the area of the expenditure policy with real substance. It is a reflection of the ostrich mentality to try to avoid the "difficult" issues such as expenditure control and productivity.

The government has experienced its worst year. But it actually concluded in a way that should give reason for renewed optimism within the government. A sound basis should thus have been established for the work of the summer in preparation of the elections to the Folketing to be held in the fall. Politically, it is of vital importance that the alliance between the Radical Liberal Party and the government remain unchanged.

The Social Democratic Party has not made it attractive for the Radical Liberal Party to change partner. At the conclusion of the Folketing session, this was symbolized by the environmental agreement and the agreement on voluntary profit sharing.

The political significance of the agreement on profit sharing may hardly be overestimated, since the government has thus managed to solve a problem in relation to the Radical Liberal Party which might have had serious consequences in the coming election campaign. The Social Democratic Party has thus contributed to cementing the government's political victory by following the agreement on profit sharing up with a shower of abuse directed against the Radical Liberal Party. With this agreement, Henning Dyremose has certainly met the great expectations made of him when he was given his government post.

In the economic policy area, the Folketing session also concluded in a positive way for the government.

The marked improvements of the trade figures did, at least for a while, take the pressure off the economic policy. Even if there are other gloomy signs in the Danish economy, the balance of payments problem had become the central issue which first and foremost had to be solved.

It is, moreover, entirely possible that the economists once again are wrong in their predictions of the employment trends. If not, there is nothing for it but to keep a stiff upper lip until a permanent improvement of the balance of payments has taken place.

Altogether, there is reason to wish the government a busy summer vacation. The government is clearly in a better situation than the opposition.

SDP Fumbling in Opposition

Copenhagen BERLINGSKE TIDENDE In Danish 1 Jun 87 p 11

[Commentary by 'Monitor']

[Text] After 5 years in opposition, the Social Democratic Party may far from feel certain of returning to its government posts after the upcoming election. This is not least due to the fact that the party's vacillating course between responsibility and fashionable opinions has created problems of credibility among its voters in the left as well as the right wing.

With all its good and bad qualities, a government has got to put up with being more in the focus of the public debate than the opposition. That applies to this column as well. For this reason, and solely for this reason, 'Monitor' actually looks forward to the day, sometime in the years to come, when the Social Democratic Party will again be in the government position. Nevertheless, the Social Democratic Party will not entirely avoid being scrutinized more closely in the meantime. There is actually good reason for dwelling somewhat on the large, though decimated opposition party now that the Folketing session is drawing toward its end.

Ordinary political common sense would suggest that after a long period in opposition, relieved of the daily work of entering into compromises, which is an integral part of the everyday work of a Danish government, the Social Democratic Party would emerge strengthened, as far as its electorate is concerned as well as in other respects. Clearly, that is not the case in this spring of 1987. After nearly 5 years in opposition, the prospects of the Social Democratic Party of quickly regaining its government power are, at best, uncertain. Only very faithful Social Democrats will be willing to bet heavily on the Social Democratic Party's return, if at all, to the government posts after the upcoming election.

Why is it that the Social Democratic Party has failed to exploit its period in opposition in a better way? There are many reasons for this, including many that are outside the control of the party itself. The Four-Leaf-Clover government, for example, has managed better than many had expected. That, however, is not the entire explanation. After all, the Four-Leaf-Clover

government has not managed that well, which will appear, among other things, from the debate in BERLINGSKE TIDENDE on the future of the Four-Leaf-Clover government.

Another explanation is that the trends of the society actually are unfavorable for the Social Democratic Party. One may be inclined to overlook this in the debate. The changes in the economic structure, which take place in all economically developed societies, involve a decline in the share of the population that is employed in industry and other production trades, while the share employed in the private and public service trades increases. This means that the workers employed within the private sector, who are the traditional key voter groups of the Social Democratic Party, though they may not become extinct, are a dwindling group. The only traditional Social Democratic key voter group that is growing is the group of pensioners. But it goes without saying that there is not too much future in that group.

In order to maintain its position, the Social Democratic Party has to conquer voters especially among the groups of salaried employees, among whom the party traditionally has not had a strong foothold. So far, the party has not been successful in these efforts, even if one would think that the rapidly growing group of public employees would present good possibilities of gains. For simultaneously with its growth, this group has politically shifted markedly to the left in the past 10-15 years. But as is well-known, it is to a greater extent the Socialist People's Party than the Social Democratic Party that has managed to gain those voters.

Why has the Social Democratic Party, even in its period in opposition, been unable to make new gains among the rapidly growing groups of salaried employees within the private and public sectors? The key to the answer is probably concealed in the party's lack of credibility. The Social Democratic Party clearly is split between the wish to adopt fashionable standpoints on the one hand and the wish to appear as the responsible and reliable alternative to the Four-Leaf-Clover government on the other.

This dilemma has caused the Social Democratic Party to adopt a vacillating course on major as well as minor issues. Its vacillating course has deservedly led to a loss of credibility both among the groups of voters where the alternative to the Social Democratic Party is the Socialist People's Party and the groups of voters where the alternative is one of the nonsocialist parties.

Part of its vacillating course is of the nature that one may always witness when a party changes from a government role to an opposition role or vice versa. The change in the perspective caused by such a change of role is not unfamiliar either among the parties of the Four-Leaf-Clover government. One may recall the position of the Four-Leaf-Clover parties on the real interest taxation before and after the change of government.

The fluctuations on the part of the Social Democratic Party, however, have been so large as to affect the party's credibility. There are many instances of this. The most marked instance, of course, is the security policy. Previously, it was possible to retain the broad political unity on the security policy, also when the Social Democratic Party was in opposition. But as is

well known, it was not the case this time. The result is that nobody really trusts the Social Democratic Party any longer. The voters leaning toward the Socialist People's Party regard the shift in position as being tactically determined and expect the Social Democratic Party to revert to its traditional viewpoints when the party regains the government power. The Social Democratic voters who take the security policy seriously, on the other hand, are upset at the fact that the party will use such an important issue in a tactical game.

A similar thing applies to the dramatic change of attitude on the environmental policy. It also lacks credibility, because the Social Democratic Party to a greater extent than any other party has been and, to a certain extent, remains responsible for the environmental policy that has been pursued on the state as well as the municipal levels. The dramatic change of attitude in this area, of which not least Ritt Bjerregaard has been the exponent, has, indeed, resulted in internal problems.

Social Democratic shop stewards in the chemical industries ask themselves which enterprise will be the next one to close down after the closing down of the chlorine production at the Soya Bean Cake Factory in Copenhagen.

Its vacillating course has also been evident in the position of the Social Democratic Party on the questions of government formation and possibilities of cooperation after the upcoming election. For a very long period, the declared policy was that the objective would be a cooperation with the Socialist People's Party. This was accompanied by a number of derogatory statements on the Radical Liberal Party and the small parties within the Four-Leaf-Clover government, and it was stressed that the future possibilities of cooperation were to the left in the Folketing hall.

Suddenly they changed their tune in the early spring of this year. They distanced themselves from the Socialist People's Party and issued sweet messages to the middle parties. In a double interview with the chairman of the Federation of Danish Industries, Svend Auken went very far in that direction. There would now be no cutbacks in the defense expenditures, the industrial sector would be pampered, and the Socialist People's Party would have to accept the "responsible" Social Democratic economic policy unconditionally. Almost simultaneously, similar statements were made by Anker Jørgensen in a meeting with Uffe Ellemann-Jensen.

This line, however, did not last very long, hardly a couple of months. The end to this digression to the right was effectively marked by the joint draft resolution of the Socialist People's Party and the Social Democratic Party during the debate of the Folketing concerning an inquiry about exports on 23 April.

If the voters seem confused, as in the television series "Foam," they are hardly to be blamed for it.

The economic policy of the Social Democratic Party also poses problems of credibility. It does not constitute the party's smallest problem. As is

well known, the Anker Jørgensen government gave up in August of 1982, because, on the one hand, it recognized the fact that the economy was on the brink of a disaster but, on the other hand, did not feel up to pursuing the necessary policy on account of internal disputes within the government.

Today, nearly 5 years later, this basic problem has not been solved. The original edition of the platform "Denmark for the Entire People" placed the main emphasis on social recovery, while it was extremely weak in the central economic areas. As the Social Democratic Party changed its tactics, charging the Four-Leaf-Clover government with irresponsibility with respect to the balance of payments--that was the only major area of attack that was left--this would have consequences, as far as the economic program was concerned.

It was no easy task. It corresponds to the problems an old brothel keeper would have if she suddenly decided to become a nun. The revision of "Denmark for the Entire People" earlier this year is marked by this lack of consistency. The party still finds it easier to make promises to all kinds of groups than paying the bills. Even the daily POLITIKEN, which presumably is the best Social Democratic daily even after the liberation of AKTUELT, was not impressed with the economic aspects of the program.

On top of all of this come the leadership problems of the party, or perhaps many of the problems originate in the very same leadership problem. It is not only Gert Petersen of the Socialist People's Party who finds that Anker Jørgensen is part of the problem of the Social Democratic Party.

The major reason why the party has not already changed its leadership is probably that they have not got an obvious heir, who will gather an unconditional and broad support within the party and the trade unions. Thus, even if the daily newspapers are not at present full of stories on the internal disputes within the Social Democratic group the way they were at the start of the Folketing session, internal tensions still exist.

The Social Democratic vacillating course between responsibility and fashionable positions has weakened the credibility of the party, which historically used to be one of its strong points. That is the main explanation why, even after 5 years in opposition, the party cannot be at all certain of being able to form a government after the coming election.

7262

CSO:3613/102

MOTZFELDT SEEN HOSTAGE FOR SIUMUT PARTY'S LEFT WING

Minister Høyem on Politics

Copenhagen BERLINGSKE TIDENDE in Danish 29 May 87 p 8

[Article by Ole Dall]

[Text] Tom Høyem on Greenland's future, Arctic awareness, the attitude of the Danes toward the world's largest island, disappointments, and own future plans.

"I have been Minister for Greenland Affairs for 10 percent of my life. My image as a minister has changed. When I took over the post, they said in Greenland:

'We do not want a minister who has never been to Greenland and who knows Erhard Jakobsen, whom we do not like.'

I then told myself: You have to become familiar with the things with which you are dealing, and I have now been to Greenland 25 times. When I started my trips, they said: 'What is he fumbling around for?'

They now say: 'We do not like him, nor his government. We prefer a Social Democratic government, which provides us with more funds. But he is quite well aware of what it is all about.' That was the highest praise that I was able to get."

These were the words of Minister for Greenland Affairs Tom Høyem (Center Democrats), who adds with deep conviction: "I have really enjoyed my job as Minister for Greenland Affairs."

Last Monday Minister of Education Bertel Haarder (Liberal Party) announced that he had nominated Tom Høyem for the post of headmaster of the European School in the British town of Culham. He will take up his duties on 1 September. The appointment is a matter of formality, but Høyem prefers to refer to his future position by saying "if I get the position."

If the Four-Leaf-Clover government loses the election, Tom Høyem--who is not a member of the Folketing--would end up in the political cold. If they win the

election, the same Høyem would on 1 January 1989 have to close down his ministry. The obvious question is: What if for fear of becoming unemployed that he applied for the post of headmaster?

"I am quite certain that the Four-Leaf-Clover government will get into power again. It will, of course, then be up to the Prime Minister to decide who will be ministers, but I suppose it would not be entirely unrealistic to expect that I might be given a ministerial post. In addition, I have completed my studies at the seminary, I have some kind of business undertaking--and I have always been dreaming of becoming a reporter again," Tom Høyem answers.

On the challenge of the British post, he says:

"If I get the post of headmaster, I may combine two main interests. I have been working for 22 years in the secondary school--and I participated in the formation of the Center Democrats, who are interested in the widest possible European integration."

Arctic Awareness

Tom Høyem has been Minister for Greenland Affairs since the Four-Leaf-Clover government took over in 1982. He says that he had three main objectives: Closing down the Ministry for Greenland Affairs in a proper manner, achieving an arrangement with regard to the raw materials in Greenland, and creating an Arctic awareness in Denmark.

On a raw materials arrangement, Tom Høyem says:

"This has been the most difficult task. As soon as a government has been formed in Greenland after the election, I will contact the prime minister of the Greenland government. I will present the proposal of the Danish government, which I know ahead of time is supported by the majority of the Folketing. On the content I only want to say that we want to make sure that there is a desire to undertake exploration for raw materials but also that Greenland will get more out of it."

By Arctic awareness the minister has in mind the industrial and research possibilities in Greenland:

"When I talked about Arctic research, people first thought: Well, will they now be getting new dog sleighs, but many Danes now realize that there are possibilities. The Finance Committee is ready to make a grant of 15.6 million kroner for 'Denmark's Polar Center.' That is a great idea to me."

[Question] How do you evaluate Greenland's future possibilities?

[Answer] First, I want to state with regard to the election that the recent election campaign in Greenland was the first one that did not concern the Minister for Greenland Affairs. Tom Høyem was not the main person, and that is important.

The basis for the election of Greenland politicians used, among other things, to be how much money they would be able to get from the Danish state and how good they were at scolding the Minister of Greenland Affairs. They are now engaged in internal discussions.

The home-rule government in Greenland has meant more Danes on the island. And both within the sectors of health and education, there will, for a long time, be a need for Danes. I do not expect any polarization between the Danes and the Greenlanders. When the exterior symbol--the Ministry for Greenland Affairs--is closed down, there will be more direct contact between the Danes and the Greenlanders.

In the fishing industry, I believe that there are possibilities of greater processing of the products. An actual primary production in Greenland will also have to start within the next few years. I have especially in mind minor enterprises working with small raw materials supplies of, for example, platinum and gold.

Tourism also has tremendous possibilities. It will have to be a supervised tourism industry, which does not ruin the country.

Deliberate Criticism

[Question] Why have you been more critical than your predecessors of Greenland politicians?

[Answer] It has been a deliberate line. The worst thing one can do to Greenland is having the attitude of "leave the child alone." I have chosen to say that we have got to take one another seriously, and we have to be able to take a quarrel. I am Poul Schluter's minister, who has to administer 2.5 billion kroner in the proper way. My budget has to be administered as strictly as that of the Minister of Education and the Minister of Social Affairs.

[Question] In your book "The Greenland of Today," you often quote the statement made by Hans Hedtoft (Social Democratic Party) in 1948: "We have regarded it as our moral duty to protect, safeguard and elevate the primitive people, whose advancement was entrusted to us." Some will find that the statement reflects a colonial attitude?

[Answer] I am aware that some people will say that--but they are people who are not very intelligent. When Hedtoft started the development in 1950, the average life expectancy was 32.4 years. In 1980 it was 57.2 years. There are representatives of the Faroe Islands and Greenland in the Danish Folketing, and the way things have been conducted has got nothing to do with colonialism, says Tom Høyem, who incidentally divides the Danes into three main groups, when it comes to their view of Greenland:

"The largest group is entirely indifferent toward Greenland.

The second group is very romantic, nostalgic and, at the same time, masochistic as Danes. They say: It is all our fault, the venereal diseases, the alcohol problem, etc.

The third main group are the Danes who are very negative and who judge the entire Greenland on the basis of a few Greenlanders in Christiania, who are hanging around, drinking alcohol."

[Question] The author Ove Bak has criticized the Greenland press for concealing their problems. You are a reporter yourself. What are your comments on that criticism?

[Answer] Ove Bak is a clever and serious man, who is really familiar with Greenland. Also in the area of journalism, there is a lack of education. There are not many in Greenland who are really competent in that trade. For example, several weekly papers now have Danes as their chief editors. In addition, there is probably the feeling that "this is our country," and defects therefore should not be stressed too much."

[Question] It is easier being a politician with responsibility in Greenland than in Denmark?

[Answer] It is, at any rate, different. It is probably also associated with the fact that in small societies where everybody knows everybody it is more difficult being a reporter.

[Question] At the big health conference in Greenland less than 2 years ago, you said, among other things: 'Before discussing increased grants for the health service, we should be permitted to request of the Greenland politicians that they take a very close look at the problems of alcohol and venereal diseases.' Did they live up to that warning?

[Answer] I had not envisioned that it would happen overnight. But we adhere to the position that we do not want to increase the health grant. One third of the grant goes to alcohol related diseases--as well as to the struggle against venereal diseases. That is too much.

A Prevention Council was set up, and in that connection I probably had my greatest disappointment. I had an arrangement with the Greenland government that we would each give 500,000 kroner to the council. Then we received the message that the Greenland government had decided not to grant the money after all. That disappointed me, for if there is something that ought to be done in Greenland it is taking preventive measures against venereal diseases and alcohol.

[Question] The Greenlanders may rightly claim that alcohol and venereal diseases were brought along by the Danes?

[Answer] So, what. Indeed, it is a historical fact. So, what. It is a reflection of a romantic, masochistic attitude to claim that it is all our fault. We live in 1987 and have to do something about it now. I do not have

this feeling of guilt. If your grandfather did something wrong in the past, it cannot be your personal problem now.

I actually find that Denmark has made a real contribution. Of course, mistakes have been made, but all ministers for Greenland affairs at least have meant well.

Party Wants Security Panel

Copenhagen BERLINGSKE TIDENDE in Danish 2 Jun 87 p 9

[Article by Ole Dall]

[Text] Following a dramatic fight within Siumut under circumstances that resembled a coup, Jonathan Motzfeldt may formally continue as prime minister of the Greenland government, but politically he is the hostage of the left wing of the Siumut party.

A few words on the Greenland Radio on the part of Prime Minister Jonathan Motzfeldt last Thursday were like a match applied to a powder magazine on the world's largest island. And it is still burning.

Motzfeldt of Siumut had been invited to a meeting with Otto Steenholdt, the leader of the Atassut party, which after the election was the largest party in Greenland. The prime minister did not want to rule out the possibility of a cooperation with the nonsocialist Atassut party.

"The idea of a more solid basis attracts me," Jonathan Motzfeldt pointed out to BERLINGSKE TIDENDE last Thursday in explaining his position.

Sources summarize the further drama as follows:

Following the meeting with Atassut, Motzfeldt convenes a meeting of the executive committee on Tuesday--tomorrow--and goes home to Julianehåb to relax over the weekend and to thank his voters.

But things develop quickly in Godthåb. Strong forces within Siumut are upset about statements on cooperation between the socialist Siumut and Atassut. They want continued government cooperation with the left-wing oriented Inuit Ataqatigiit (IA).

On Friday, a meeting of the executive committee is convened for the same night. Motzfeldt is unable to arrive in time for the meeting, where everybody is agitated. The reaction against Motzfeldt is enormous. The majority point to Lars Emil Johansen as the new prime minister.

On Saturday morning, another meeting is held. Jonathan Motzfeldt is still in Julianehåb. Moses Olsen is in charge of the meeting, and afterward Lars Emil Johansen conducts government negotiations with the IA party.

Jonathan Motzfeldt realizes the unfortunate situation and hurries back to Godthåb, where he arrives in the afternoon by chartered airplane. Another meeting of the executive committee. More trouble.

The meeting ends with a press statement, signed by Motzfeldt, in which a unanimous executive committee supports a continued cooperation between Siumut and IA.

Sunday at 6 p.m. Danish time another meeting starts. Lars Emil Johansen opens the meeting with a statement to the effect that Jonathan Motzfeldt will continue as prime minister. But following the meeting it is, at the same time, clear that Lars Emil Johansen will challenge Motzfeldt on the chairmanship within the party at the national congress to be held in August.

Feared the Party Might Be Split Up

Sources state that the reason why Lars Emil Johansen did not after all accept the job this time was the fear that Motzfeldt would split the party and continue at the mercy of the nonsocialist parties. That would destroy Siumut.

At the same time, Lars Emil Johansen will be in a stronger position if the national congress elects him chairman of the party.

"I am used to turbulence in my life. This cannot upset me," Motzfeldt tells BERLINGSKE TIDENDE. He finds that "too much drama" has been made of the matter in the press. He declines to indicate whether he will be able to tolerate a situation where Lars Emil Johansen is party chairman and Motzfeldt prime minister.

"Lars Emil Johansen is a competent politician, but apart from that it is no concern of mine to evaluate him. That will be up to the population," says Motzfeldt on his rival in the top leadership of the party.

Shift Toward Left

Politically, Siumut has shifted toward the Left in the showdown. They are now in agreement with IA to set up a security policy committee, and they want the raw materials administration to belong under the home-rule government.

Siumut has its ministers ready for the government: Moses Olsen will leave the government, and the plan is that he will take over the post of chairman of the Greenland parliament. A post which, at present, is also held by Prime Minister Motzfeldt. Stephen Heilmann and Hendrik Nielsen will also depart.

Jens Lyberth, Pavia Nielsen and Kaj Egede are new Siumut ministers, while Hans-Pavia Rosing and Jonathan Motzfeldt will continue.

Within IA, there is reelection in the government for Arqaluk Lynge. Josef Motzfeldt is a new minister, and IA then hopes for the post of family and health minister.

The political negotiations on the government formation are in their final phase. The Siumut upheaval, on the other hand, is expected to end, at the earliest, after the national congress of the party in August.

Challenger Johansen Profiled

Copenhagen BERLINGSKE TIDENDE in Danish 2 Jun 87 p 9

[Article by Ole Dall]

[Text] When in August of last year Lars Emil Johansen married his Ali in Julianehåb, it was not Jonathan Motzfeldt, the former minister of the town and the present prime minister of Greenland, who married his fellow party member within the Siumut party. Lars Emil instead sent for Margrete Auken (Socialist People's Party) in Frederiksberg, who married the couple in Hans Egede Church.

"A clear provocation of Motzfeldt," it is being said. Motzfeldt and Johansen have long been on a collision course. Their differences culminated in several meetings of the executive committee of Siumut and became clarified late Sunday night.

In the process, it looked as if Lars Emil Johansen would be the new prime minister, when he received a solid support at the meeting in which Motzfeldt failed to participate. But then followed the meeting in which Lars Emil Johansen himself established that Motzfeldt will continue as prime minister of the world's largest island.

Nobody has any doubts that Lars Emil Johansen is heading for the post of prime minister. He was probably afraid that Motzfeldt would split up the Siumut party, and that was why he was allowed to continue. But nothing will remain as it was within the party following the showdown.

In August, Lars Emil Johansen will challenge Motzfeldt in the competition for the post of chairman of Siumut, and nobody knows what the latter will do if he loses that fight.

Already at the age of 24, the now 40-year-old Emil Johansen joined the local Greenland parliament. The Folketing became his place of work in 1973, and at Christiansborg he became a popular member of the Folketing group of the Socialist People's Party. He attracted attention to the rostrum of the Folketing when all of a sudden he once started speaking Greenlandish, and among other episodes one remembers his plan to sue Brigit Bardot for her criticism of Greenland sealers.

He returned home to Greenland for a seat in the Greenland government and as a left-wing member of Siumut was active in the campaign to get Greenland out of the EC. In early 1986, Lars Emil Johansen shocked the Danish foreign ministry when, during his visits to Cuba and the Soviet Union, he discussed the possibility of granting the Soviet Union fishing rights off the coast of Greenland.

Shortly afterward, he took leave of the government, accepting instead the post of principal of the Workers' College in Julianehåb. Here he paved his way to the top of the party. He is described as a competent politician, and it is pointed out that, contrary to several other leading politicians, he is able to accept criticism without regarding it as a personal insult. At any rate, the small, chubby man is hard to ignore.

7262

CSO: 3613/101

SIUMUT, INUIT ATAQATIGIIT HAMMER OUT CABINET, RULING PACT

Copenhagen BERLINGSKE TIDENDE in Danish 10 June 87 p 4

[Text] Jens Lyperth and Kaj Egede are new ministers for Siumut, which is continuing its cooperation with the left wing party Inuit Ataqatigiit (IA), which will receive an extra ministerial post in 1989.

Siumut and IA agreed early Tuesday morning on the composition of the new Greenland government after ten days of negotiations.

Siumut won its desire for a government of seven members with five Siumuts and two IA's.

IA had wanted three places in a government consisting of eight. As late as Monday evening IA insisted that eight government offices be established, but the party gave up this demand in the course of the night.

The agreement between the two parties provides that on 1 January 1989 a new government department for health will be established, and that this will go to IA. Besides this, IA will get the chairmanship of two of the Landsting's most important committees -- the Tax Committee and the Finance Committee. The posts are held today by Folketing member and Landsting member Preben Lange of Siumut. IA will also receive the post of chairman of the government radio station. Siumut also has this post today. The new government, which will be elected Tuesday evening when the Landsting meets, consists of Jonathan Motzfeldt as chairman. He will also have the responsibility for church and culture. The others from Siumut will be Moses Olsen, who continues with the responsibility for fishing and industry, together with production and export. Hans Pavia Rosing continues with the responsibility for economy and personnel.

The two new members will be Union Chairman Jens Lyberth, who has been a Landsting member since 1984. He will be the government member for education and labor relations.

The other new member will be Sheep Breeding Consultant Kaj Egede, who is not a member of the Landsting. He will get the government department of country settlements and outlying districts

From IA Aqgaluk Lynge will continue with the government department for social affairs, housing and health. Besides this he will get GTO, environment, country, and city planning under his direction. Josef Motzfeldt will continue with the department of Trade and Traffic.

It is a surprise that Moses Olsen is permitted to continue in the post as government member for fishing and industry. He had been thought of for the post as the new chairman of the Landsting in Siunmut's first proposal to the government, which was presented 31 May.

9124

CSO: 3613/103

CONFIDENCE VOTE SEEN NOT RESOLVING SITUATION

Athens I VRADYNI in Greek 25 May 67 p 4

/Article by Kosta G. Skouras: "The PASOK President Made a Mistake in Asking for a Vote of Confidence" /

/Text/ Not many 24 hour periods had to go by since Mr Andr. Papandreu resorted to the impressive and secure maneuver of asking for a vote of confidence for his government from the deputies of his party to prove that all this "political movement" was nothing but a short term despair maneuver, and for many the only thing he could resort to at this time.

A maneuver that first of all enabled him to "justify" his refusal to accept a wider political control for the scandals in which his people played a leading role (since only his people possibly can be appointed to such positions since 1981 - positions that are considered to be key ones in the government mechanism): But also to claim that he came out of it "renewed" with the alleged confidence of the PASOK deputies to proceed toward the solution of his other intraparty problems a few 24 hour periods later when the much postponed Central Committee meeting of PASOK will take place. In fact, at a time when the war of attrition has penetrated even into the supreme collective body of the party itself and its cadres already have been "attacked" from within, either for being involved in the scandals or for anti-leadership movements or even groupings. And so Mr Papandreu thought he could use the vote of confidence of the deputies to show that he has their unanimous support in solving the intraparty problems as he believes, mainly, however, as they serve his purposes.

It is not difficult for one to predict that Mr Papandreu will attempt to "equate" politically the vote of confidence of his deputies with a "vote of confidence" of the people. And this effort will be projected as a counter argument to the continuing demand of the chief of the New Democracy, Mr K. Mitsotakis, for elections "here and now". A demand that finds a fertile ground in the popular base that observes that the present government can neither solve the problems nor offer alternate solutions, but is interested only in staying in power as long as it can.

They are afraid, however, to admit this publicly, hoping for a change in the electoral system for the hope of "political survival" in the clash of the three big parties, the New Democracy, PASOK and the KKE.

Mr Papandreu realizes (even though he will not admit it publicly) that politically it is exceptionally undesirable and useless for the party for any government to try to find excuses to explain to the people why it does not want elections, indeed at a time when the results of all the local elections have proven that its popular vote has reached the 1977 level (in substance below 30%).

Circles that are very close to Kastro claim that these days Mr Papandreu resorted to this maneuver for two additional reasons. The first, the recent developments in the New Democracy, the second, the need to find causes that would rally PASOK, since for months now all the messages were from worrisome to alarming about tendencies of deviation from the center and studied plans of "abandoning the train".

All of the popular messages, however, do not appear to agree with the hopes of Mr Papandreu. The conviction of the base of the New Democracy that only if the array is united can it win the elections and come back to power did not "pass by" without consequences to the top echelons of the party. And no one can doubt that no matter what happens from now on, the will and command of the base cannot possibly be ignored or misunderstood. And it is expected that this will be confirmed in the most categorical and official way next week with the all public meeting in the center of the capital being organized by the New Democracy with the completion of two years from the Day of the Big Lie and Political Deception of the people.

While the political observers agree that the New Democracy, at least at the parliamentary level, has lost some ground, what they also agree on is that neither Kastro, nor PASOK, nor the government benefited.

Because starting tomorrow, just 24 hours after the rebaptism of the "vote of confidence" of Mr Papandreu and the government by the parliamentary group of PASOK, the situation will be exactly the same as the day when the president of the movement was asking for the vote of confidence, not, of course, from the Greek people, but from his 157 deputies.

Papandreu, the government and PASOK will continue to be charged with the scandals. In a positive way, because they are tolerating and are trying to cover up the accused as their own guilty ones, and in a negative way because stubbornly they refuse to view the entire matter as a political one, either because of fear or because of lack of trust for what possibly can come out from their parliamentary political investigation.

Besides, the economic situation was, is and will remain bad as long as the government continues to follow the same policy and refuses to deviate from its dogmatic options. Besides, the government could not find a way to rule, by inspiring its subordinates or convincing them that it is very much interested in exercising power. The tactic of Mr Papandreu himself follows "he simply is following the developments". But even after the vote of "confidence" he did not change absolutely anything that positively would express the course of things, at this point by general recognition and acceptance.

From whom and from where can the government find a new surge and breath? Mr Papandreu's appearance in parliament was the best answer to the question on what kind of a situation first of all he himself has come to.

However, what was discussed more by the other parties (except PASOK) was the shy, shy opening of Papandreu to the communist parties for a wider cooperation. It was the first time that this opening was made from the platform of parliament (the previous one was made in Khalkis to the Central Committee). This time it assumed a more official and panegyric tone, showing at the same time the agony, the dramatic situation Mr Papandreu finds himself in, asking for crutches so that he may take as many steps as he can remaining in power. The two KKE's answered with a negative vote in parliament yesterday, an action that indicates that the trust and tolerance of these two for the government of PASOK should not be taken for granted. The course of things justifies both KKE's asking for what they want from PASOK as a "political consideration", extorting the impasse to which the government guided itself with its policy since 1981. And the question is: how much is PASOK willing to respond or even if it can give the communist parties whatever they request solely for their party benefit. The margins have narrowed so much for Mr Papandreu that the vote of confidence is not enough for him (in fact, in the way he managed to secure it) to survive much longer.

9346

CSO: 3521/137

KKE OFFICIAL ON DEPENDENCE ON MOSCOW

Athens 1 VRADYNI in Greek 25 May 87 p 7

/Text/ In concluding yesterday's conversation, the prime minister, Mr A. Papandreou tried to "act" as a unionist.

A. Papandreou: Mr Mitsotakis believes in a Greek/Turkish dialogue on the critical matters of the Aegean. He believes that a policy not only of appeasement but also of favoritism towards Turkey is best for Greece. He wants Turkey to get into the EEC. He told us. It is a tremendous offer that I believe many European leaders do not espouse. To the contrary, you are a pioneer.

K. Mitsotakis: I know that there are many European leaders who do not agree with this view. But we must act according to our interests. And we have no reason to help the others in their policy. For instance, Mr Genscher believes, when I told him that Greece has a national reason to stop Turkey, he told me that you have a reason not to want it. I have no intention of playing your game.

A. Papandreou: I will go back. In 1980 you were the only politician that accepted the 4th financial protocol of Turkey. You have this exclusiveness.

I would like also to make a party observation to the KKE. I told you: What is the difference. Whether it was Plastiras or Papagos. You deny it, but in practice you cooperate with the right in mass movements. The air of the great change of Gorbachev has not arrived in Greece. Pity.

Kh. Florakis: You are wrong.

K. Kappos: Big mistake.

A. Papandreou: I am not wrong. You have remained where you were. Arteriosclerotic.

Kh. Florakis (he gets up): What are you saying? We are not dependent on Moscow any longer.

A Papandreou: Were you before?

Kh. Florakis: Listen.

A. Papandreou: If there was a time that you should have been, this is the time. You always make a mistake with the time. The way you are going you will be shriveling and changing the KKE to something of a KKE interior. Oh, my wonderful spring!

Farakos - Kappos (standing and shouting): We can not accept that. What are you saying?

I. Alevras: Sit down. You do not have the floor.

A. Papandreou: It is true. It does not matter.

After this, the prime minister said that he wanted to extend his hand to all the parties for the dialogue that took place on the important subjects and invited all the parties to work together in parliamentary committees and promised to hold more discussions on special subjects. So that he may listen to the views "with great attention", as he said, of the majority and the minority.

9346

CSO: 3521/137

EEC REPORT POINTS TO CONTINUED INFLATION, DEFICITS

Athens I VRADYNI in Greek 22 May 87 p 20

/Text/ The deterioration of the Greek economy and the black days for the Greek people will continue unavoidably, and perhaps in a worse way in 1988!

This disappointing and pessimistic view, in full contrast to what the Papandreu government recently is spreading, is confirmed with specific facts by the EEC itself and is included in an official report of the EEC, with the predictions and the projections for the economic developments in 12 countries of the Community that was released to the press yesterday in Brussels.

Yesterday's report is a "correction" of the previous one that was released last October and makes certain comparisons of the numbers and the projections of that month and of the present facts.

The conclusion reached is the deterioration of the basic measures of the Greek economy, a result of the unsuccessful economic policy of PASOK. People within the European Committee describe this deterioration as "significant".

More analytically, the statistical facts that the report gives for Greece on the predictions for 1987 on the basic economic measures (the predictions that were made in October 1986 for this year are in parentheses), are the following:

Gross National Product, .7% decrease (.2% decrease).

Inflationary increase 13.5% (increase 12.5%).

Real income, decrease 3.2% (decrease 2.3%). A stabilizing of real income at this year's level is predicted for 1988.

Unemployment 8% (8.3%). 8.7% of the active work force is predicted for 1988.

Current trade balance as a percentage of the Gross National Product, deficit 4.7% (deficit 3.7%) and a deficit of 5.2% is being predicted for 1988.

Capital Investment as a percentage of the Gross National Product, decrease 3.1% (increase .5%).

Construction Investment as a percentage of the Gross National Product, decrease 4.8% (increase 1.6%), while it is predicted it will remain the same next year.

Investment in machinery as a percentage of the Gross National Product, decrease 1% (decrease 1%).

Private consumption in volume, decrease 1.4% (decrease 1%), a .4% decrease is predicted for 1988.

Exports in volume, increase 3.5% (increase 5%).

Imports in volume, insignificant change (decrease 1%).

Public debt as a percentage of the Gross National Product, 59.3% (61.2%), it is predicted that it will rise to 65.3% of the GNP in 1988.

Financing need in the public sector as a percentage of the GNP, 9.4% (7.1%), while it is predicted to rise to 10.3% in 1988.

9346

CSO: 3521/137

PCI'S COSSUTTA VIEWS GORBACHEV'S CHANGES, RELATIONS WITH USSR

Rome L'ESPRESSO in Italian 8 Feb 87 pp 9-11

[Report on interview with Armando Cossutta, Italian Senator and PCI (Italian Communist Party) member, by Gianni Corbi: "To Forget the Split"; date and place of interview not given; first paragraph is L'ESPRESSO introduction]

[Text] Gorbachev's turnaround creates an unexpected political opening even for the friends of the Soviets in the PCI. Their leader, Armando Cossutta, explains how he intends to fill that opening.

Perhaps no Communist leader today is as happy, satisfied and self-assured as Senator Armando Cossutta. This is the same Cossutta who, just a few weeks ago, was considered to be an annoyance and stumbling block, excluded from leadership positions, the target of strong criticism by L'UNITA, ridiculed on the gapes of TANGO as the head of the Stalinist and Brezhnevian tribe. Now he feels that he is almost a victor, illuminated by the rays of light radiating from the halo of Mikhail Gorbachev. In the local branch offices of the PCI, the federations at Botteghe Oscure (PCI headquarters' location), from Trapani to Bolzano, there are no Communists speaking of (breaks) with Moscow or about how the Soviet "push forward" is no exhausted. Instead, all of them are anxiously and, to some degree, proudly following everything happening in the grand arena of Moscow's Politburo.

Is the great turnaround at hand? Are the historical bonds between the PCI and the CPSU destined to be reconfirmed? If so, what will be the consequence for Italian politics? And what does Senator Armando Cossutta think about it?

"The thing that most struck me about Gorbachev's speech," Cossutta explains, "is the coherent continuity with his previous statements. This is very important, because everyone knows that a lively political struggle is under way in the CPSU and in Soviet society. As for new aspects, I see them most of all in the sphere of the party, which in the Soviet Union has a basic role."

[L'ESPRESSO] In his speech, however, Gorbachev strongly criticized the entire Brezhnev administration. And you, on the contrary, are a very tenacious defender of the Brezhnev line.

[Cossutta] "Let's try to make this point quite clear. Gorbachev is implementing a series of reforms and a profound renewal. This was needed. But I personally

hesitated, over a period of many years now, to speak out about delays, errors, and even crises. Now Gorbachev speaks of a "deep stagnation" in the USSR. Some say that these words would fully confirm Berlinguer's opinion about the exhaustion of the Soviet system's "push forward." It may also be that Berlinguer was thinking along the same lines as Gorbachev. There is no doubt, however, that the term "exhaustion" was interpreted as a definitive trend toward liquidation. This would be like saying that nothing more should be expected from the Soviet Union, since the very structures of that system were rotten and unchangeable. Instead, that opinion, as we are now seeing, was completely false and erroneous. This was at the origin of the differences between me and the leadership. On the one hand, some tended toward the darkest sort of pessimism, while on the other hand, some could see within the Soviet system the potential for recovery and a new push forward. But Gorbachev certainly took into account the advice and criticism of the Italian Communists as well, though no one can be so presumptuous as to think that the reform movement was influenced by the critical stance of the PCI."

[L'ESPRESSO] But what specifically could the PCI do to help Gorbachev in his difficult attempt to change the system?

[COSSUTTA] "Fortunately, relations with the CPSU have improved after the difficulties of recent years. But while defending its independence, the PCI should have, in relations with its Soviet comrades, a posture that is very different from the one adopted by certain of our leader. The relationship between us and the USSR cannot be the same as between us and Willy Brandt, or between Brandt and Gorbachev. The entire difference lies in the fact that we are Communists, and the CPSU was the first party to build a socialist society. Until recently, some could use the excuse of Brezhnev's lack of movement. Today, this excuse no longer holds up."

[L'ESPRESSO] In your opinion, how is the internal political struggle in the CPSU and the Politburo being waged?

[COSSUTTA] "Actually, I have not been in the Soviet Union for many years and, other than Gromyko and Gorbachev, I know none of the members of the current political office. My impression is that the political battle is being fought mostly inside the party and State apparatus. I also believe that some difficulty arose and may still arise from the defense establishment and weapons industry. Faced with the Soviet decision, which I believe was wise, to have a moratorium on nuclear tests, the military may have reacted negatively in fear of being surpassed by the Americans in this field."

[L'ESPRESSO] Bettino Craxi commented on Gorbachev's speech as follows: "First we were in a barbaric stage of democracy. The step taken by Gorbachev is a step forward. But we are still far from developing a political system founded on democracy." How would you comment on this?

[COSSUTTA] "I recall that Togliatti, after the desecrating speech by Nikita Krushchev before the Twentieth CPSU Congress, continued saying that the existing forms of democracy in the Soviet Union were superior to those of any other country. I would not go as far as that, but I am deeply convinced

that in the USSR there are forms of democracy that are greatly different from ours, though, of course, not barbaric, as stated by the honorable Craxi. In Italy, we certainly have a democratic system, but the fact remains that we have been unable to avoid being governed by a DC [Christian Democrat] for 40 years, that there are two and a half million people unemployed, and that our national sovereignty is in a state that, in relations with the United States, leaves much to be desired."

[L'ESPRESSO] Giorgio Napolitano, your Foreign Minister, presented a very balanced view in his comments on the Gorbachev speech: "There is considerable room for significant developments toward a degree of democratization."

[COSSUTTA] "Napolitano is a notoriously prudent man and caution is part of his style. On the other hand, under these circumstances, discretion should never be imprudent; but I hope that this prudence will not result in an endorsement of the notion that the only valid and existing democracies are those of the West. Neither is it my hope that anyone attempting to affirm the democracy of the Soviet system would say that there too they have a party like the DC, even an orthodox one."

[L'ESPRESSO] Giovanni Berlinguer, in L'UNITA of Wednesday, 28 January, speaking of the collapse of the Soviet health care system, wrote: "I am convinced that Armando was not aware of these things. Otherwise, he would not have been so insistent when proposing his amendment to delete the phrase: 'exhaustion of the push forward.' Perhaps he would have proposed replacing it with a more serious: 'A push backward has been shown.'" What do you say to that?

[COSSUTTA] Besides the sophomoric reference (he calls me Armando, whereas when I speak in public about my comrades I use both first name and surname) Giovanni Berlinguer's opinion contains a clear distortion. It may certainly be true that in some sectors of Soviet life there has been a backward movement, but Berlinguer has no authority to state that the forward-looking potential of the USSR has been long exhausted."

[L'ESPRESSO] Some people believe that the rapprochement to the CPSU may constitute an obstacle to the PCI's entry into the government. Do you agree?

[COSSUTTA] "I think that we are faced here with an argument that is just a pretext. As we all know, for the last 40 years the PCI has been asked to provide continuous evidence of its independence and autonomy. The PCI furnishes the proof and then they ask for more proof, ad infinitum. An improved relationship between the PCI and our Soviet comrades, therefore, has no bearing on whether the Italian Communists share power in the government. On the contrary, it could only help the image and prestige of the PCI."

13331/12951
CSO: 3528/88

FORMER CGIL LEADER CITES ERRORS BY PCI LEADERS

Rome L'ESPRESSO in Italian 19 Apr 87 pp 8-13

[Article by Giampaolo Pansa: "The Mistakes of the PCI"]

[Text] "It is with Craxi that we have to arrange accounts," warns Luciano Lama in a book interview. And he explains where his party has gone wrong, from Berlinguer to Natta.

In a book soon to be published in the Laterza pocketbook Essays, under the title "Interview on My Party," Giampaolo Pansa has assembled the political confessions of Luciano Lama, former secretary of the CGIL and today in charge of the Communist Program Office. By permission of the publisher, L'ESPRESSO is able to give advance publication of the chapter "The Enemy Is Socialist."

[Question] Let us talk about the last Berlinguer. And let us begin with the Berlinguer who at the end of 1980 changed horses: from the historic compromise to the alternative. Do you know anything about that? Were you in some way forewarned?

[Answer] "No, I also read it in L'UNITA, after the fact. Like all the PCI leadership group, I believe. I do not know whether Berlinguer had discussed it first in the secretariat, but he did not do so in the leadership."

[Question] What was your impression of that change in strategy?

[Answer] "A dual impression. On the one hand, it appeared to me as a positive change. We were leaving the terrain of the historic compromise, which had shown itself arid, incapable of yielding fruit. I had also believed in an understanding with the DC, but I stopped expecting it some time ago. Then there was the aspect of the method, which was the typical one of Berlinguer, of lone decision. I felt a little irritated, hurt about how that change in direction had come about. However, the first impression, the positive one, was stronger. I always give more weight to the substance of things than to the formal setting. Moral: I was satisfied about this second 'Salerno turnaround,' and I did not dramatize the way in which it had occurred."

[Question] However, what was your judgment on the possibility of materializing the alternative line, or, as they say in political jargon, its practicability?

[Answer] "I did not have many illusions. The phase of national solidarity had had no small impact on our practices, on our way of looking at the relations among the parties. For example, it had made us less decisive in setting objectives clearly alternative to those of the DC, or those achievable in a large coalition with the DC. Thus, I soon concluded that in order to travel for a long time this unexpected new road with credibility, strength, and the essential solidarity, there would be necessary a long and persistent preparation work, which would have required a great deal of time."

[Question] Did it not seem to you that Berlinguer showed a great inconsistency? I am talking about the Berlinguer who proclaimed the alternative and, at the same time, began to sharpen the polemics with the Socialists.

[Answer] "Yes, little by little I began to think that. In fact, it was in that period that I began to genuinely realize the distance that separated me from Berlinguer. And to take note of a strategic disagreement between him and me. I said to myself: how can one talk about an alternative and proceed on a collision route with the PSI? It is contradictory! Let us understand each other: Craxi's PSI had never stopped working on our flanks. It did so during the national unity, and continued even afterward. Sometimes it did so from "leftist" positions, that very PSI that had returned to government with the DC, in the Forlani ministry. Moreover, this PSI did not want to proclaim itself for the alternative, and did not spare us some pinpricks, or even worse blows. Thus, it was logical that there should be irritation in the PCI, and also a growing hostility toward the Socialists. However, I told myself, and also told the PCI leaders whom I encountered: better to set an objective and work to achieve it. It is certainly not useful to open a front of prejudicial hostility toward Craxi and his people. However, Berlinguer had another opinion."

[Question] Well, what did you like most about the Berlinguer of the period? And, on the other hand, what did you like least, or not at all?

[Answer] "In the Berlinguer of that period I always liked the seriousness, the moral tension, his concept of politics as a whole series of actions lived intensely and believed in, his rejection of cynicism, and his opposition to politicking politics. Berlinguer was always like that, until his last breath, until the moment he fell in battle on that Padua platform. And being that way, he gave the PCI, and I believe not only the PCI, a permanent, unforgettable lesson in consistency and steadfastness. Then, I was very pleased with the internal policy decisions of that period, and I shared them to the full."

[Question] So, on 15 December 1981, after Jaruzelski's coup in Warsaw, Berlinguer went to TRIBUNA POLITICA and made the "break."

[Answer] "This 'break' was also mine in the sense that it had my full agreement. Moreover, in judgment of the Polish events the CGIL moved faster than the PCI. We had been in Poland, we had received Walesa, the head of Solidarity, in Italy, and we had declared our support of him. This did not please some sectors of the party very much. And even within the CGIL there

were comrades who criticized us, because, they said, we had pushed too far ahead with the relationship with Solidarity."

[Question] Then, one had the impression that the "break" encountered fewer obstacles in the PCI than in the CGIL. People said: the CGIL has more difficulty digesting it because its worker base has changed less than the PCI base."

[Answer] "But no! We had some problems, but there emerged no strong opposition to the 'break,' not even in the factory meetings. I agree, there were some who got up and began to explain to us that it was wrong to make that judgment of the USSR. However, it was more or less the same comrades who said the same things during the party meetings. And there were not many of them. They were a modest minority."

[Question] In the same period, Berlinguer began to insist more on the "Third Way," in addition to the obvious explanation that it was not either the Soviet road or the social-democratic road. However, I confess that I never did understand him at all. And this 'Third Way' of Berlinguer always left me cold, confused, not at all convinced."

[Question] One day you referred to it as an Arab phoenix, "an aspiration without outlines or precise content."

[Answer] "Yes, and that is still my view. I have always thought that Berlinguer persisted in leading the PCI toward a mystery, facing an unknown, but without succeeding in revealing it. Thus, it all ended up being incomprehensible to me. It was a road marked by a series of 'no's' and not 'yes's.' A road without a fixed horizon. We were preaching about the 'Third Way,' but to go where? This, one could not succeed in figuring out."

[Question] Did you say this to Berlinguer?

[Answer] "We met less frequently than at one time. But I did tell it to him, and not only once. He answered: Alright, but the 'yes's' will come, little by little, it is a matter of giving life to a process, of embarking on a road, this road will be long, and it will not always end up being straight, there will be turns, but the movement itself will reveal the goals. He gave me answers that were not very convincing on their merit. However, I understood that as always Berlinguer was sincere: not even he could define this 'Third Way' more clearly."

[Question] Yet he persisted with it for some time. Why?

[Answer] "I think that he had this idea: real socialism does not function, does not fit the PCI and Italian society, because it gets rid of democracy, freedom of the individual, and also economic progress. Berlinguer assigned importance to the human values, and saw that the socialism applied in the Communist East had crushed them, made them formal, without importance. On the other hand, he thought that social democracy amounted to very little: it limited itself to putting a little order into the bourgeois state, and gave it a thin veneer of acceptability for the poor element of the society, but nothing else. If you were to listen to Berlinguer, the social democratic

experience had not produced real changes, and did not contain significant reform elements."

[Question] In short, you think it would already be a big result for Italy to achieve a good social democracy?

[Answer] "I envisage a society renewed by the reforms, without an eternal model. But as I view it, it is really an arduous task."

[Question] Some have always suspected: Berlinguer was quite aware of certain things, he himself was also a social democrat, but he did not want to declare himself as such so as not to lose any element of the PCI along the way, the PCI accustomed to a particular political catechism, the PCI that believes in the Communist "city of the sun."

[Answer] "I would say that that is not true. Rather, I do not really believe it. Berlinguer was a courageous man. And, above all, he had the courage of his own convictions."

[Question] Listen, still on the subject of the last Berlinguer, and you said it once yourself: another of the troubles that Berlinguer inflicted on us was this story about communist "diversity."

[Answer] "That was another of his guiding concepts that did not convince me. The idea of the 'diversity' of the PCI gave me troubles for more than one reason. Let me see. First reason: it is pointless to boast about one's own positive diversity and to proclaim it at every step, it is others who must recognize it, if it exists. It is not enough for one to say: we are diverse! Second reason, even more important: exalting one's own diversity from the other parties means isolating oneself. Third reason: what does it actually mean, 'diversity'? It is not a value in itself. One can be diverse in good and in evil, and it seems to me that makes a difference, not so? Yet, on the other hand, Berlinguer affirmed the diversity of the PCI on a specific point: our morality as a party. In this area, he was right. In short, Berlinguer could have been regarded as presumptuous, but he was affirming a reality: we in the PCI are different, because there are among us fewer cynics, fewer dishonest people, and fewer thieves than in the other parties."

[Question] Is that true?

[Answer] "I believe that it is. And I believe that Berlinguer, when he proclaimed the Communist diversity, was thinking primarily of this: the disinterestedness, the political passion, the capacity for sacrifice of very many of our comrades, in short, the baggage of ethical-political values that they carry in their rucksack, important baggage, without equals in the other parties. Then, however, Berlinguer affirmed this diversity of the PCI in every field, and in all fields. And here began the difficulties and began my trouble. Because this diversity reaffirmed, all described in capital letters, and put on for every occasion, even when it was not necessary or there were no real reasons for doing so, distanced us from the other political forces. And in particular from the very forces indispensable for achieving the alternative. This is another of the dramas of the PCI in these 1980's. This is another squaring of the circle that we have not been able to resolve."

[Question] With Berlinguer, in fact, the theme of diversity then assumed an increasingly anti-socialist tone.

[Answer] "Listen, diversity in politics is daily bread. To say a party is different from another is like discovering hot water. The same discovery of nothing was the statement that the PCI, a party always in the opposition, was different from the DC, a party always in the government. Thus, we ended up affirming our difference primarily in the contacts with the PSI. This idea penetrated to the depth of the party body. It became our boast used in excess in the confrontations with the Socialists. And besides, the latter, in their way of managing local authority and then government authority, did not do a great deal to meet the criticisms of us Communists."

[Question] But what advantages did the PCI gain from this insistence on its own diversity? Not many from the election point of view, I believe, considering the low current status of the PCI at this stage.

[Answer] "Perhaps it did gain some consensus. And certainly it did exalt part of the PCI, gave it pride, strength, and ability to resist political misfortunes."

[Question] Why did Berlinguer despise the Socialists so much?

[Answer] "I do not know. In the sense that I do not know the more profound reasons for his attitude, and I do not even know if the term despise is correct. I had occasion to say to him several times: be careful not to make the mistake of judging all Socialists in the same way. I know the Socialists in the CGIL, they do not deserve what you are thinking, they are socialists, too! One must distinguish within the PSI. And one should never take anything as final, let alone a process of deterioration, of degeneration. Thus, we are careful to talk about genetic mutation of the PSI. I remember that I talked to him about this at various times."

[Question] How did Berlinguer answer?

[Answer] "That it was right to distinguish, but that one had to look above all at who ruled the roost in the PSI. And at how that party operated overall. He added: Also, parties can change identity and nature in the course of their history. Moreover, these changes are a concrete fact, they are visible, they are confirmed day by day. I answered him: Agreed, I understand these reasons. However, it is above all a matter of knowing something else: whether we should seek an alliance with the PSI or not. I said to Berlinguer: It is pointless for us stand here speculating on the honesty or dishonesty of Craxi or any other Socialist leader. No, we should decide what role the PSI should have in our strategy of change and alternative to the DC: an allied party or not, a party to have close or not. In short, we should establish whether we should work for one result or for its opposite."

[Question] Were there others in the PCI leadership who also spoke to Berlinguer in this way?

[Answer] "There were some, and they did so. They did so from time to time,

particularly when the tension between us and the PSI became too high and negative."

[Question] With few results.

[Answer] "The results were what we see."

[Question] Listen, Lama: Berlinguer played anti-Socialist, and meanwhile Craxi became prime minister in August 1983.

[Answer] "And it was at that point that the difference in opinion emerged between the PCI and the CGIL. The CGIL said: We should see how this government behaves, but it is a positive fact that a Socialist is entering the prime minister's office for the first time. The PCI replied that our opinion was inappropriate, that we were conceding too much to the Socialists."

[Question] From whom did this reproach come?

[Answer] "From many PCI representatives. It was a widespread opinion in the leadership. It added a lot of weight to Berlinguer's position. And Berlinguer maintained that the Socialist Party was an almost irretrievable party. According to him, the only thing we could do was to develop a very harsh, hard and persistent polemic to determine whether, through a harsh cure, one could produce a change in the PSI, even if only to confirm its final passage to the opposing camp."

[Question] Many have always had a suspicion: that Berlinguer opposed the PSI of Craxi above all because he no longer accepted being subordinate to the PCI. In short, the Socialists had become "bad" ever since they emphasized the line of Socialist autonomy, refusing to follow in tow of Communist headquarters.

[Answer] "Perhaps that was also a reason. The PCI leadership never affirmed it in an explicit way. However, I do not rule out that for some Communist leaders this was a reason for their anti-socialism."

[Question] When the Craxi government was formed, the PCI voted against it. If you, Lama, had been secretary of the party at that moment, what decision would you have made?

[Answer] "I do not believe that I would have made a different decision. I would also have decided for no. But certainly I would have given a different explanation of the negative vote. And I would have remembered Togliatti and the center-left. I talked in that very August of 1983 about the position of Togliatti. In his time, the Togliattian PCI had said no to the center-left. However, it was clever enough to hold a position that was certainly less conflictual than that held by the PCI toward the Craxi government. We have been much harsher with the Craxi government from the start. Yes, I would not have voted in favor, but I would have held a line that was more daring, more persuasive, rather than one of frontal opposition. I do not deny that what happened afterward confirmed that the five-party set-up was an alliance with negative results, and, in the final phase, also a shattered alliance, even tragicomic in its constant conflict. However, one can wonder: would this government have been this way if the Communist Party had assumed a different

attitude, more committed and consistent in regard to the substance? Agreed that history is not made with ifs, as we all know. However, it seems to me that the question is legitimate."

[Question] What do you think of Craxi?

[Answer] "He is a strong political personality. And he made positive international policy decisions. These were his main merit in the country's issues. What pleased me less about him was indifference to strategy, the major political choices, and, in general, the content of policy. I have the impression that for Craxi it does not make a big difference whether one takes one road rather than another. He is very strong, and clever, in use of the image, of tactics, in the day to day activity, and in immediate decisions. However, he does not look far ahead, or does not like to look far ahead. Does he want the alternative? Does he want to send the DC into the opposition? Does he ultimately want to find an understanding with us? Does he want an Italy governed forever by a center-left or a left-center, everlasting sharecropper with the Christian Democrats? It appears that Craxi attaches more importance to power than to the results of the use of power, that is, to things accomplished, to positive changes produced in Italian society. This was quite evident in the final stage of his five-party set-up; there was no program, there did not even exist basic agreement, nor did there exist mutual respect among the allied parties, though the PSI was leader of the government, and he was installed in that leadership. This also makes me think that Craxi has a slightly exaggerated view of himself, of his historic role, so to speak, in Italy. And that he is a little too fond of sitting in the armchair of the prime minister's office."

[Question] You talk almost like Berlinguer.

[Answer] "No, I talk like someone convinced that the policy necessary for the alternative is not the one that Craxi applied. And it does not even appear to me that Craxi tried very hard to carry out a different policy."

[Question] Is Craxi's idea of power common also to the Socialist leadership group?

[Answer] "I think not. I believe that there do exist men different from him. And I also believe that, once recalled by his party to the necessity of setting a different tone, more clear, and more reformist in his policy, perhaps Craxi himself could be different."

[Question] Give me the names of some Socialists who seem to you different from Craxi.

[Answer] "I know the Socialist trade union people well: Marianetti, for example. You tell me that he does not count for much in the PSI? Yet, he could count, he has serious aspirations. Then Ottaviano Del Turco. And the former mayor of Milan, Carlo Tognoli, and many others. However, making a list of names does not make much sense. We need to create the conditions so that the PSI does not conduct a confrontational policy, which would not make sense, which would be idiotic, and which would not help either us or them, but rather a policy with substance that offers scope, sustenance, strength and hope to

those Socialists convinced that it is possible to give life to an alliance on the left. It also depends on us, the PCI, whether it will be possible to establish these conditions. However, naturally it is in the PSI that the will for a policy turnaround must be evidenced."

[Question] Nevertheless, it seems clear that there is only one leader of the PSI, and that is Craxi. Your accounts must be made with him.

[Answer] "Yes, this is another of those things of which I have always been convinced, and that divided me from Berlinguer. We cannot invent some spokesmen of convenience. We have to work with those who exist. And certainly our main dialogue counterpart in the PSI is Craxi. Tomorrow, who knows. But today it is Craxi. It is with him that we have to arrange accounts. Let it be clear, I say this not in an aggressive spirit. I say it as a political "neighbor," and as a possible ally."

9920

CSO: 3528/128

MALTA

POLITICAL

FORMER PRIME MINISTER ACCEPTS OPPOSITION ROLE, DEMOCRATIC PROCESS

Rome LA REPUBBLICA in Italian 15 May 87 p 10

[Article by Piero Benetazzo: "Malta, A Bitter Dispute Shakes Up the Defeated Labor party; Mifsud Bonnici Collapses"]

[Text] Karmenu Mifsud Bonnici, leader of the defeated Labor party, could not hold up under the tension of a difficult electoral campaign and the unavoidable disputes that are shaking up a party forced into the opposition after 16 years of uninterrupted rule.

He collapsed this evening and is now in the hospital. Labor sources speak of fatigue as the cause. In reality he suffers from ischemia [a temporary lack of blood to an organ or tissue], an early phase of a heart attack, and doctors at St. Lukes hospital have put him in intensive care, forbidden outside contacts and limited visits to a few minutes.

According to Labor party headquarters, he will be in the hospital for 3 weeks. The rather long period will perhaps help break the controversial atmosphere and to restore to the party the serenity needed to confront "the humiliation" of an unexpected defeat.

Bonnici did not feel well this evening after having presided over a lengthy 3 hour meeting of the party executive during which he tried, in an atmosphere characterized by great excitement, to set the party's strategic lines and to draw up a unit of objectives which for now is still uncertain and difficult because of the defeat.

Inevitably, last night's meeting was reduced to the venting of frustrations and the acrimonious search for errors and guilty individuals. But in the end Bonnici re-emerged apparently serene, calm, little troubled by nostalgia for the past, and ready to accept the new opposition role assigned to him by the election results--a role he readily accepted immediately after the election returns.

An inevitable defeat

He announced to local journalists that the defeat was probably "inevitable."
"We were in power too long," he admitted calmly, "and the people probably wanted

to try something new. We can however say with pride that the elections were carried out with the greatest attention and honesty."

The opposition which his party intends to lead, he said in short, will be "loyal and constructive." "We certainly will not seek refuge on the Aventine, nor will we go on strike in silence as the Nationalists did for years following the 1981 defeat."

But the recovery in the hospital of this leader who the election posters defined as "humble, honest and efficient" almost seems to symbolize, regardless of the causes, the trials and tribulations of this party which must suddenly relinquish its enormous power and now feels its ideological certainties shaken, and which in the final moments of this campaign, until the voting was in progress, even considered (in its more extreme and contentious factions) the possibility of an antidemocratic solution.

Last night's meeting was held while a hundred labor militants tumultuously surrounded the party headquarters shouting protest slogans against the defeat and therefore against the leadership. The debate inside reportedly had tomes of heated dispute over "Dom Mintoff's errors": 1) his excessive ideological ambition--chided by the so-called party "Right"--but also 2) his willingness--censured by the Left--to amend an election law so as to enable the nationalist opposition to rise to power.

But Bonnici, upon leaving the meeting, had no doubt about the justice of a choice which, he maintained, was required by the law of a democratic country. "The amendment to the election law," he stated firmly, "was quite appropriate because in a democratic country whoever obtains the majority of votes must also have the right to govern."

It is the renouncing of that line of ideological prevarication that persuaded Dom Mintoff to revise the electoral college which determined the 1981 defeat of the Nationalist Party. But [this change was] also the affirmation of a more pragmatic strategy, more attentive to the laws of a democratic debate, but which, in the end, also reaffirms the validity of the contents of labor policy.

In the first place, as Bonnici stated, [there should be] a "rigid defense" of Maltese neutrality, which the nationalists claim is leaning towards the USSR and the Arab world. "Regarding our attitude towards Qadhdhafi and the Arab world, Europe has not affected us," said Bonnici. "Libya is important," he continued, "not only in the Mediterranean, but also in central Africa. It is therefore necessary to influence Libya rather than to leave it alone because otherwise we forsake it to the Soviets, thus altering the entire strategic equilibrium of the region."

Defense of the Workers

Secondly, in internal policy the primary objective [according to Bonnici] is "defending the rights acquired by workers," and preventing the dismantlement of those rights as was done in the UK by Mrs. Thatcher. The new prime minister, Eddie Fenech Adami, envisions no such quest for truth in his program,

particularly because the very narrow majority on which he can depend could easily be eroded by measures that impinge upon the social structure of the country in a "capitalistic" sense.

These are the two main topics on which Bonnici intends to base the opposition to Fenech Adami's government. His leadership over the Labor Party seems unquestioned but the desire to "settle the score" the need for a venting of frustrations that leans more towards the search for "guilty individuals" than a discussion of future prospects make the policy line to be used by the opposition untimely and an stable.

But a major event is just around the corner: the election of the president of the republic. [This is] a role of minor significance--elected by the simple majority of the Parliament--but to which both parties have decided to give a greater importance [by requiring] the support of two-thirds of the Parliament thus making it a unifying element, a type of arbitrator of the animosity that tends to divide the country.

And it is an appointment--which will occur within a few months--that will oblige the Socialist Party to seek a compromise with the nationalists, that is, to break away from the presumption carried for so many years that it is an absolute power intolerant of any mediation.

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POLL SHOWS MOST SUPPORT FOR LABOR PARTY GOVERNMENT

Decline From January Figure

Oslo AFTENPOSTEN in Norwegian 18 May 87 p 3

[Article by Finn Langeland]

[Text] There is more support for a Labor government than for a nonsocialist three-party government. This was shown by an opinion poll the Norwegian Gallup Institute conducted for AFTENPOSTEN in April. While 23 percent of the respondents thought a three-party government would be the most stable alternative in the current situation, 29 percent backed a straight Labor government.

The nonsocialist alternative--the Conservatives, the Christian People's Party and the Center Party--gained 2 percent compared to a similar poll in January. At the same time fewer of those polled viewed a straight Conservative government as a good alternative. The changed support levels probably reflect the voters' awareness of the difficult attempts to get together that are going on among the nonsocialists.

Majority Lacking

The opinion poll's point of departure--the parliamentary situation--was presented like this to the 1001 people who were interviewed:

"As things currently stand in Storting the three partners, the Conservatives, the Christian People's Party and the Center Party, have a majority with the Progressive Party but not on their own. The Labor Party does not have a majority alone or with the Socialist-Left Party. Which of the following government alternatives do you think has the biggest chance of being stable under these conditions?"

The possibilities listed were: a straight Conservative government, a government consisting of the Conservatives, the Christian People's Party and the Center Party, a nonsocialist government with the Progressives, a straight Labor government a government formed by the Labor Party and the Socialist-Left and finally a government consisting of the Labor Party, the Socialist-Left [SV] and one of the middle parties.

Responses

Some 8 percent of all respondents said they would prefer a straight Conservative government, 23 percent wanted another three-party government, 10 percent favored a nonsocialist government that included the Progressives, 29 percent backed the Labor Party as the sole government party, 11 percent favored a Labor/SV combination and 5 percent of those polled liked the idea of a Labor/SV government plus one of the middle parties, the Christian People's Party [KRF] or the Center Party.

A similar poll in January showed that 21 percent wanted the Conservatives, KRF and the Center Party back in the government. In April 23 percent chose this alternative. And while 12 percent of those polled in January said they wanted a straight Conservative government, this figure has now declined to 8 percent.

Labor Party Strengthened

The January poll showed that 28 percent wanted a straight Labor government. In April the figure was 29 percent. At the same time support for the Labor/SV alternative declined from 12 percent in January to 11 percent now.

There is reason to note that 15 percent fell into the "don't know" category. Further clarification of the political situation on the part of the non-socialists will probably reduce the high percentage of undecided voters.

Conservative Voters

When the response groups are broken down, the three-party alternative received the most support from Conservative voters (43 percent). Some 18 percent of the Conservative voters polled said they would prefer a straight Conservative government. In comparison 59 percent of the Labor voters polled said they thought a Labor government was the best alternative.

One cannot tell from the poll how KRF and Center Party voters felt about the various government alternatives. They were lumped together by the polling institute in the category of "others," which included all respondents who did not support the Labor or Conservative parties.

Union Members

The three-party alternative had strong support among those with a university or high school education (34 percent) and among union members not affiliated with the National Federation of Trade Unions [LO] (28 percent. Similarly the Labor government alternative had the support of 36 percent of LO union members. Some 34 percent of those polled who had family incomes of less than 150,000 kroner said they favored a straight Labor government.

Paper Analyzes Poll

Oslo AFTENPOSTEN in Norwegian 19 May 87 p 2

[Editorial: "Open to Proof"; first paragraph is AFTENPOSTEN introduction]

[Text] Uncertainty on the nonsocialist side has led to some increased support for the Labor government. The task for the coalition parties is to convince doubters rather than convert defectors.

What is the most stable government alternative? In AFTENPOSTEN's Gallup poll 29 percent answered: the government we have now. Some 23 percent had more faith in a nonsocialist three-party government. What these figures tell us is that most people are up in the air. Not even the status quo is regarded as any guarantee of stability. Less than a third viewed the Labor alternative as the most solid platform for a government at this time.

From the viewpoint of Rolf Presthus this is the bright side of the picture. It is true that there is not much faith in the lasting qualities of a new Conservative-KRF-Center government alternative either (the poll was conducted in April, before the government talks really got going). But the country is not unwilling to be convinced. If we sum up the figures for the various alternatives, 41 percent of those polled preferred some form of nonsocialist government (the Conservatives alone, the three together or even all four parties). Some 40 percent were on the other side, preferring a straight socialist solution (Labor alone or Labor + SV). Only 5 percent had any faith in a government based on the Labor Party and the middle parties.

After a winter of discontent and faint-heartedness among those who wanted a nonsocialist government back as soon as possible, this is not a poor basis on which to start rebuilding. It is skepticism rather than opposition that surrounds a new government attempt, a "we won't believe it until we see it" attitude. That is exactly the type of problem that will disappear as soon as people see proof that this can work.

In its latest issue the business paper FARMAND reviewed two other surveys of the status of the government blocs. The results coincide with what our poll shows. The main conclusion is that a Labor government and a new nonsocialist government have almost equal support levels (the questions are worded somewhat differently, so that the answers are not "entirely" comparable).

Mrs Harlem Brundtland's government has survived for a year, partly by swallowing a series of defeats and partly by gaining support, mainly from the Center Party and KRF. The latter has led many to envision a new grouping of political alliances in Norway. However the party that throws itself into experiments of this kind has not reckoned with its voters.

The voters' picture of where the parties belong is almost unchanged. Labor supporters still think in terms of cooperation with SV, in other words a socialist cooperation. And Conservative, KRF and Center Party voters believe now, as before, that their own party should form a government with the other two. There are indications that they will now have this wish fulfilled.

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ELECTIONS ANALYST VALEN: TREND TOWARD LEFT, RIGHT POLARIZING

Oslo AFTENPOSTEN in Norwegian 23 May 87 p 3

[Article by Kjell Hanssen]

[Text] "Concepts like 'nonsocialist' and 'socialist' are very unclear. And many phenomena in society cut across them. But they continue to serve as guidelines for voters. In the 1970's many people believed that the modern era had done away with the old right-left contrasts along the economic axis. But these were precisely the things that came to dominate Norwegian politics in the 1980's."

Elections analyst Henry Valen is currently working on a book about the 1985 Storting election. At the same time he is keeping a watchful eye on the unclear situation this election produced which could now lead to one more government change. He himself wishes that the government picture looked different, he told us.

Quite New

"I do not view formal coalitions as a natural part of the Norwegian parliamentary system. Actually this is something quite new and it is doubtful how beneficial it is for the country. After all the parties are independent and constantly need to define themselves, while the government has to arrive at compromises. In addition the Norwegian Storting gives the parties a very good platform for stressing their individual characteristics."

Two Big Parties

Valen does not believe, as some have predicted, that we will necessarily see the Conservative and Labor parties taking turns in government coalitions with the Christian People's Party and the Center Party. It is just as probable that the two big parties will alternate in the government position, basing their regimes on case-by-case cooperation with other parties. This is a form of minority parliamentarianism that has a long tradition in Norwegian politics.

Not in the Middle

He stressed that the Center Party and the Christian People's Party are not middle parties in the sense that they lie between the Conservative Party and the Labor Party. The Liberals were once in that position before the party became a pure environmental party. If anything the Center Party and the Christian People's Party [KRF] belong somewhere else, they have their own special characteristics on other points. Today the Christian People's Party is the most typical countercultural party this country has with a background in temperance, the layman's movement and even the language issue. And the Center Party has its roots in the rural districts and the rural economy.

In a way both are remnants of earlier social forms. Their voter base has eroded. The odd thing about the Center Party is that it held its position as long as it did.

Many people say that the Center Party and KRF have moved away from the Conservatives and closer to the Labor Party. We asked Valen if that is true.

"No, I actually think the two parties have changed the least, they stand where they always have. But both the Labor Party and the Conservative Party have moved closer to the middle."

Can the word socialist still be used in connection with the Labor Party?

"Well, the word still conveys a certain idea. But we see the same thing in other countries, many of the old dogmas are outdated. No one talks any more about doing away with private ownership. Today not even the Socialist-Left Party [SV] would advocate total nationalization of the means of production."

But even if a party changes externally, doesn't it still retain its old instinctive reflexes, for example when it comes to choosing between public and private solutions?

Same Dividing Line

"That is obvious. That is still where the dividing line lies between the Labor Party and the Conservatives. How much power the state has. How much the state should step in to redistribute resources among groups and classes. I think the different views here will last for a long time to come."

A party does not just change its views, it also changes its voters and the two things go together. Valen recalled what happened to the Labor Party:

Base Gone

"At one time people talked about the three pillars on which the party was based, the workers, the small farmers and the fishermen.

"The last two groups have more or less disappeared. At the same time the ratio of workers in the ranks of the employed has declined sharply. If the

party is to have any chance at all it must gain support from the new middle class.

"That is where the battle lies. That is really the whole explanation behind the fact that it is increasingly a question of two opposite poles, the Conservative Party and the Labor Party. Society has become dominated by an urban economy. And among the new groups the Conservatives have drawn the longest straw so far."

Threatened by Education

The Labor Party's biggest problem is the effect of education: "We see a clear connection between educational level and party affiliation. The higher the educational level, the more likely it is that a person will support the Conservative Party. And the level of education continues to rise. This is probably one of the most important reasons for both metropolitan development and the conservative wave. In dealing with these new groups it is hopeless for the Labor Party to maintain a line of full equality, they are interested in differentiated status and wages."

Are these voters mobile?

Searching

"Yes, that is a characteristic of the new middle class. Workers and actual employers have been firmly anchored in the party system. The same is true of farmers. But the growing new groups lie somewhere in between and they are searching for something. They are the ones who make the system unstable. Or more mobile, to state it in more positive terms. But it is uncertain where they will end up in the future. There are many possibilities."

How many people are mobile?

"About a third of the voters. Either they change from one party to another or they move in and out of the ranks of nonvoters. The figure was much lower in the 1950's and 1960's but starting with the election upheaval of 1973 their numbers have risen. Today they decide the outcome of elections."

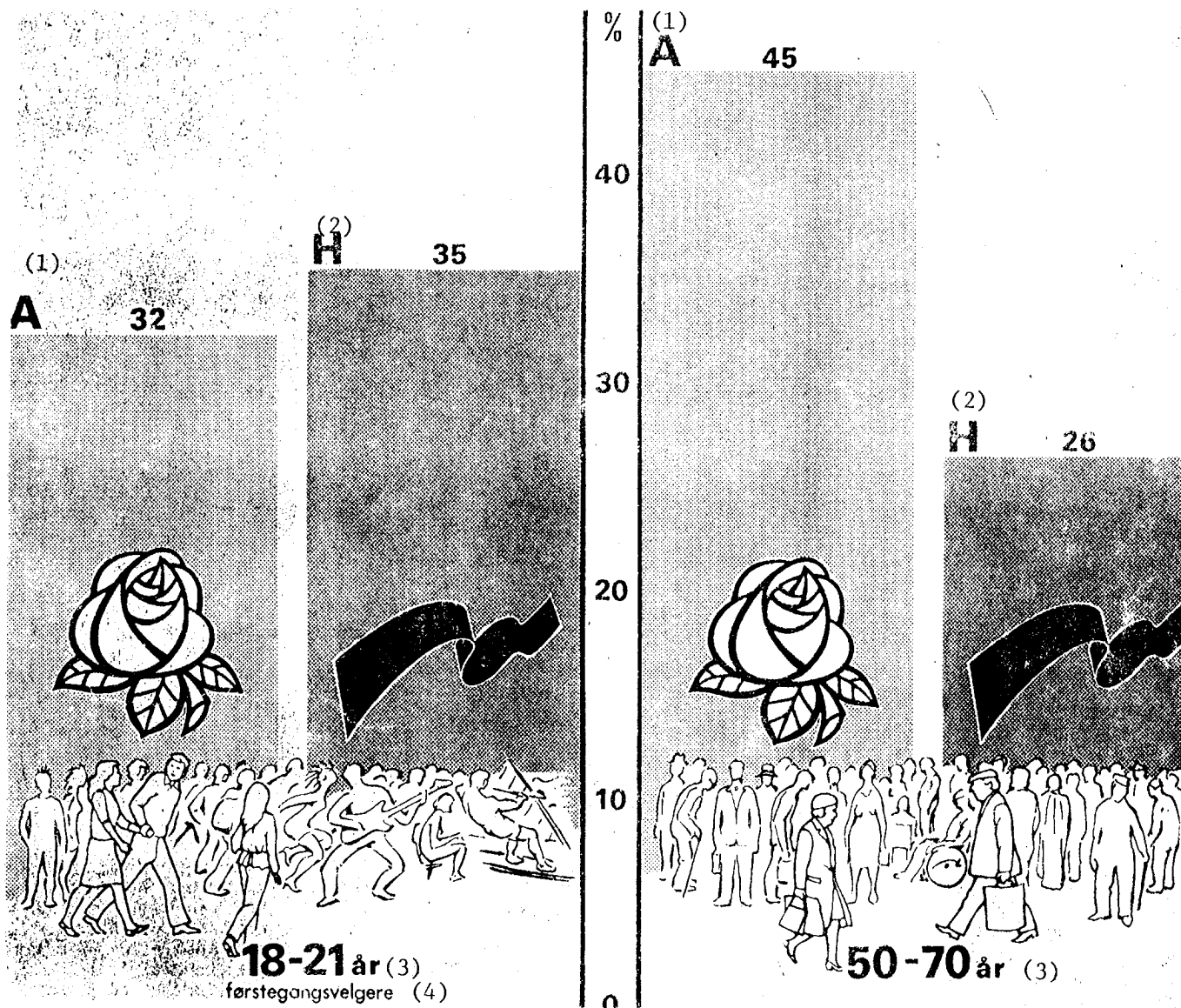
Conservatives

"The Conservative Party is interesting, it has changed more than any other Norwegian party. It has changed its social base a good deal and won support from the rural population and among the workers to an extent that would have seemed unthinkable just a few years ago. Not to mention its support in the middle class. It has become much more of a people's party and gives a much less snobbish impression."

Struggle for New Voters

"You will have a strong tendency to stick to the party you choose the first time. That is why parties put such emphasis on winning first-time voters."

Henry Valen said this to two young people who reached voting age this year but are not yet entirely sure they will exercise their right to vote. They are Monica Fuentes, 18, from Askim and Eivind Andersen, 19, from Oslo. Both have full-time jobs.



The Conservatives have been attracting more first-time voters since 1975. That will have long-term consequences, for voters are apt to stick with the party they select the first time they vote.

Key:

- 1. Labor Party
- 2. Conservative Party

- 3. Age group
- 4. First-time voters

Valen explained that when a party captures first-time voters, as the Labor Party has done from the 1930's on and the Conservative Party has done since the 1975 election, it has long-term consequences.

Valen was cautious about predicting what will decide the voting habits of tomorrow's voters. But he believes they will continue to fall along what elections analysts call the economic axis, with the Labor Party and the Conservatives fighting in the middle for the same voters, and he also thinks foreign policy issues will continue to have a strong impact on domestic policy in Norway.

What Happened?

"There were three striking features in the 1985 election. One was that the differences of opinion on the center periphery were intensified. The Labor Party made gains in outlying districts while the Conservatives--the right-wing parties--did a good job of holding their ground in central areas. The second element was the importance of social policy issues. The third was the 'women's shift.' They moved over toward the socialist side while men continued to move slightly to the right. In the book we are working on we are trying to discern the connection between these tendencies."

But the most exciting aspect of this election is that it went the way it did. There have been few elections in Norway where people were so sure of the outcome in advance, so positive the government side would win. What in the world happened?

Too Many Polls

"We should have fewer and better opinion polls. It is not good to have polls appearing in the papers every day. It is even worse when they are used as a certain person uses the Bible."

Disagreement the Worst Thing

Do voters change parties on the basis of who leads them?

"We are moving toward a political system that is more oriented toward personalities and this has been true for a long time. But we have not gone as far as they have in other countries, where the leader sometimes shapes the entire party in his own image. I think the most important thing for a Norwegian party leader is that he or she keeps the party together.

"Some of the trouble the Labor Party has had in recent years involved disagreement about the leadership. Now there is party support for the leadership and everything indicates that the party is making progress.

"Nothing is worse as far as voters are concerned that internal disagreement. What are the voters to believe if a party makes a promise and then an internal struggle begins over what the party's policy should be?"

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PROJECTIONS FOR UPCOMING PARLIAMENTARY ELECTIONS ANALYZED

Lisbon EXPRESSO in Portuguese 1 May 87 pp 30R-32R

[Article by Jose Antonio Lima; first paragraph is EXPRESSO introduction]

[Text] The backdrop to the elections on 19 July will be the possibility of winning a majority of 126 deputies. What percentage will the PSD [Social Democratic Party] need to have an absolute majority? How many votes are needed for a majority made up of the PSD and the CDS [Social Democratic Center Party]? Will a PS-PRD [Socialist Party-Democratic Renewal Party] alternative with a parliamentary majority be viable? The projections below make it possible to analyze the limits and solidity of those hypotheses.

What new situation might result from these early elections? Opinions are divided into two basic groups: those who feel that there will be little change in the current parliamentary setup, and those who foresee the possibility of an absolute majority for the PSD (with or without the CDS deputies).

Pointing toward the second hypothesis are the polls that have been published to date and the obvious optimism with which Cavaco Silva and his party greeted Mario Soares' decision, whereas all the other parties in Parliament have been reserved in their reaction to the calling of new elections.

But while the polls have been showing consistently high levels of popularity for the prime minister and sizable increases in intentions to vote for the PSD or the PS--thus hinting at a political bipolarization of the country in the future--the extent and effects of those voter shifts remain to be seen.

The reason is that what will be at stake this 19 July is, basically, the winning of a parliamentary majority in the Assembly of the Republic by one (or several) of the competing party forces. Let us look, then, at the three cases which might result in the formation of a political bloc of 126 or more deputies and consider the limits and solidity of the underlying hypotheses.

High Points for AD and Freitas do Amaral

The highest voting results to be achieved since 25 April 1974 by the two parties on the parliamentary right--the PSD and the CDS--were obtained in 1980

by the AD [Democratic Alliance] and in the second round of the presidential election of 1986, when Freitas do Amaral was the candidate. The alliance headed by Sa Carneiro obtained about 2.8 million votes (or 47.2 percent of the total, if we exclude the emigrant vote), and Freitas do Amaral increased that total with about 70,000 additional votes (corresponding to 48.3 percent of the vote, if we exclude blank and voided ballots, which are not counted in presidential elections).

Equaling the "full" vote for Freitas do Amaral and the AD is one of Cavaco Silva's goals, and it is a goal which some of his supporters feel can be achieved or even surpassed. It should be mentioned, however, that the second round of voting in the presidential election presented two special features. First, the number of abstentions was distorted in terms of the average and favored the rightwing bloc (there were relatively more abstentions in areas where the APU [United People's Alliance] and the PRD are strong, since many Communists and Democratic Renewal voters refused to vote for Mario Soares despite instructions from their respective parties). And second, the legislative elections of 19 July may not bring out the voters to the same extent that the presidential election did. What was at stake on 16 February of last year was a crucial election victory that depended on a scant 1 or 2 percentage points, and personalities were a strong issue in the voting. But this coming July, the bloc made up of the former AD is faced with CDS voters who are quite discouraged and a structural abstention rate which dropped only in the two above-mentioned cases and which perhaps can only be counteracted if Cavaco Silva undertakes a daring election campaign focused on obtaining an absolute majority for the PSD.






Freitas, Soares as Points of Reference

Even so, the "full" vote for Freitas do Amaral was regarded as the least speculative starting point and as a reasonable foundation on which to evaluate a probable increase in percentages for the PSD and the CDS--and then to determine the least number of votes needed for an absolute majority in the AR [Assembly of the Republic]. As a working hypothesis, it was also assumed that there would be a drop of one-third in the number of votes for the CDS, that being the trend indicated in the latest elections and in the most recent public opinion polls (a trend confirmed, incidentally, by the obvious discomfort felt by CDS leaders at the prospect of early elections). Starting, then, with the 48.7 percent obtained by Freitas do Amaral, we divided that figure between the PSD (42.1 percent) and the CDS (6.6 percent) and made some adjustments by district to reflect the weight of each party in the various districts and the total number of votes won in those districts by the chairman of the Century 21 Foundation (see "Hypothesis No 1" below).

At the same time, we assigned to the PS the percentage (25.4 percent) that had given Mario Soares his victory over Salgado Zenha and Lourdes Pintassilgo in the first round of the "leftwing primaries." Since it seems obvious, based on all the data for analysis, that the Socialists will improve their score of 20.8 percent (the result in their electoral disaster of 6 October), we also chose a specific figure for comparison--the essentially Socialist votes that Mario Soares obtained on 26 January 1986. Vitor Constancio has already stated

publicly, by the way, that the 25.4 percent obtained by the current president of the republic in the first round of balloting is a goal to be achieved by the PS and that any score above that figure will represent an "election victory" for the Socialists.

Lastly, and still on the basis of the projection shown in Hypothesis No 1, the PRD and APU were each assigned the same nationwide result (11 percent) for a combined total of slightly more than Salgado Zenha obtained in the presidential election. Assuming that this hypothesis is correct, we can foresee an election decline for the PRD (as already reflected in the latest local elections and in the failure of its presidential candidate) and a new transfer of votes from the APU to the PRD (in addition to the approximately 170,000 APU voters who shifted their vote to Ramalho Eanes' newborn party in 1985). It should be emphasized, however, that these identical election results for the PRD and the APU were established only as a working hypothesis, since it is difficult to foresee with any accuracy how the results will vary for each party. Despite everything, it is more probable--considering the past behavior of APU and PRD voters at the ballot box--that the Communists will be able to establish their base of support more firmly (although if the MDP/CDE [Portuguese Democratic Movement/Democratic Electoral Commission] decides--and this has not been confirmed--to put up its own candidates and takes even an insignificant percentage of the vote, the result may be the automatic loss of a few deputies for the APU coalition.

Hypothesis No 1				
F. AMARAL (second round) 48,7%	 PSD	42,1%	123	deputies(+35)
	 CDS	6,6%	11	" (-11)
M. SOARES (first round) 25,4%	 PS	25,4	68	" (+11)
	 PRD	11%	23	" (-22)
	 APU	11%	25	" (-13)

Distribution of Seats by District																						
	Total	Aveiro	Beja	Braga	Bragança	C. Branco	Coimbra	Évora	Faro	Guarda	Leiria	Lisboa	Portalegre	Porto	Santarém	Setúbal	V. Castelo	V. Real	Viseu	Azores	Madeira	Emigrants
PSD	123	9	1	8	3	4	6	2	4	3	7	22	1	17	6	5	4	4	7	4	4	2
CDS	11	1	—	1	—	—	—	—	—	1	1	3	—	2	—	—	—	—	1	—	—	1
PS	68	4	2	5	1	1	4	1	3	1	2	15	1	12	3	4	2	2	2	1	1	1
PRD	23	1	—	1	—	1	1	—	1	—	1	8	—	5	2	2	—	—	—	—	—	—
APU	25	—	2	1	—	—	—	2	1	—	—	8	1	3	1	6	—	—	—	—	—	—

PSD: 43 Percent for Absolute Majority

With those assumptions underlying the projection having been defined, the results shown in Hypothesis No 1 indicate that the PSD may wind up with 42.1 percent, or very close to an absolute majority, since it would then be only three deputies short. So it can be said that a result of 43 percent or better will give Cavaco Silva's party a guaranteed absolute majority in Parliament.

The above agrees, incidentally, with studies by the PSD to which EXPRESSO has access. In fact, it is felt among Social Democrats that a margin of between 42.5 percent and 43 percent will be enough to ensure a majority. But a score of over 25 percent for the PS may make it difficult for the PSD to achieve that goal, considering that the distribution of deputies by district using the d'Hondt method will tend to favor the Socialists if their votes are more concentrated.

Oddly, that 43 percent on which Cavaco Silva will keep his eyes fixed right up to election day is the same percentage that Almeida Santos adopted as the PS campaign theme in the 1985 legislative elections--with discouraging results.

The table showing Hypothesis No 1 also reveals that the PRD and the CDS may both lose half of their parliamentary groups and that the APU, although weakened, may recover its position as the country's third-largest party.

PSD-CDS: How Many Votes for a Majority?

In the wake of that first election scenario, it remains to determine the minimum percentages needed if the postelection PSD-CDS bloc is to have an absolute majority--since an exclusively Social Democratic majority appears difficult to achieve. One of the projections made by the PSD's research staff is shown in the table "Hypothesis No 2" below. It indicates that the 126 deputies needed could be elected with a total of 46 percent, broken down as follows: 39 percent for the PSD (113 deputies) and 7 percent for the CDS (13 deputies).

Hypothesis No 2		
Party	Nationwide percentage	Total deputies
PSD	39%	113
CDS	7%	13
PS	25%	70
PRD	9%	18
APU	15%	36

The PS would still have almost the same figures as those shown in Hypothesis No 1, while the APU would come out with a percentage almost equal to the 15.5 percent it had in 1985, and the PRD would lose half of the voters it had in the last legislative elections (meaning that it would lose 60 percent of its deputies). In this connection, it should be emphasized that the social and political diversity of the PRD's voters accounts for the analyses ascribing a low level of voter loyalty to that party and predicting a significant drop for the PRD. That diversity was evident not only in the varied electoral origins of the 18 percent who voted for the PRD about 1.5 years ago but also in the way they scattered in the first round of the presidential election (when they divided their votes among the four candidates and also abstained in large numbers).

Possibility of Leftist Majority

The last scenario to be analyzed starts from the assumption that the Social Democrats and centrists will not obtain a majority and that a possible rejection of Cavaco Silva's government program (by the same parties that voted for the motion of censure) will give rise to an alternative consisting of the PS and the PRD. What combined percentage will the Socialists and the PRD have to obtain in order to win a parliamentary majority sufficient for supporting a government?

The table below (Hypothesis No 3) tries to answer that question, it being assumed (based on the data from several polls) that the vote for the PS will be about double that for the PRD. The totals of 30 percent and 15 percent respectively would not be enough to elect 126 deputies. Vitor Constancio's and Ramalho Eanes' parties would have to increase that result by an additional 1 or 2 percentage points in order to constitute a majority bloc in the AR with no need to seek other support making a government situated in their political area viable.

Hypothesis No 3		
Party	Nationwide percentage	Total deputies
PSD	35%	97
CDS	6%	10
PS	30%	87
PRD	15%	34
APU	10%	22

This same Hypothesis No 3 shows that the PSD and the CDS would not do much better than in October 1985, although the relative weight of each would shift in favor of the Social Democrats.

Crucial Role of Floating Voters

One of the immediate conclusions to be drawn from any of the three hypotheses under consideration here is the polarizing trend in voting, with relatively significant increases in the scores for the PSD and the PS. It is highly improbable that those two parties combined will not have a two-thirds majority in Parliament on 20 July. That will be a decisive political factor as far as the upcoming constitutional revision is concerned and will be the first important change to come out of the early elections.

The electoral deflation of the CDS and the PRD appears as another vector for change in the voting intentions of the Portuguese, and it is a trend not likely to be counteracted on 19 July. What this will mean, for one thing, is the existence of a Christian democratic party exerting insignificant political influence and the consequent "dragging" of the PSD toward an area situated on the extreme right of the party spectrum. For another, an electoral decline for the PRD will represent a severe political defeat for Ramalho Eanes. The expectation following the 18-percent result in 1985 was that the party would grow stronger under the leadership of the former president, and if the exact opposite happens, Eanes will emerge as being chiefly responsible for electoral failure.

One of the unknowns that will attract attention concerns the behavior of APU voters in reaction to the PRD's proximity as a pole of attraction for votes. While it is possible to foresee a return to the APU by some voters who went over to the PRD in 1985, it is equally probable that the central role played by the PRD in this political crisis and low-key activity by the PCP will encourage a new shift of communist votes to Eanes' party.

Vitor Constancio is also preparing to go through his first political "ordeal by fire," it being acknowledged that electoral success or failure for the PS may determine the future of his leadership.

But the crucial protagonist in this next election will, once again, be the floating voter. Floating voters represent close to 1 million votes, and shifts in voting by that group have accounted for the main victories and defeats in elections. Wavering between abstention and support for the parties in the "center"--the PSD, the PS, and the CDS--that huge mass of voters is going to fulfill or destroy dreams of possible majorities that range from unexpected supremacy for the parties on the left to the winning of over 50 percent of the vote for the right--something that the rightwing parties have never achieved in Portugal.

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COMMENTS ON PCP COALITION STRATEGY, CDU CREATION

PCP Reluctant to Stand Alone

Lisbon DIARIO DE NOTICIAS in Portuguese 6 May 87 p 6

[Editorial]

[Text] The APU [United People's Alliance] is dead; the CDU [United Democratic Coalition] is born. Losing no time and without hesitancy or superfluous discussions, in its manner, the PCP [Portuguese Communist Party] has already announced a new formula, designed to execute a frontist tactic, as always, in accordance with an equally perennial strategic objective: to give the appearance of being the driving force in a political space broader than that occupied by its own constituency and, at the same time, avoid the most undesirable of all trials, that of exposing itself to the people's verdict under its own label. If the APU lacked the political credibility to carry out such a scheme, as became more and more obvious with the passing years, the CDU has perhaps even more flagrant shortcomings at the outset, because its control by the PCP is now completely undisguised.

In effect, in the eyes of the public, the CDU is an artificial arrangement, one which is steadily gaining ideological consistency and might even prove to be more effective at the polls, but which is still an arrangement of convenience. It is gaining ideological consistency because, on one hand, it is known that the "Greens" group--conveniently turned into a party soon after the initiation of the breakup of the APU-- has emerged on the political scene and in the Parliament, to which it acceded although it had never stood in elections, as part of the PCP itself; on the other hand, the new "independents," who only a week or so ago were traditional leaders or militants of the MDP/CDE [Portuguese Democratic Movement/Democratic Electoral Commission], belonged precisely to that wing of Jose Manuel Tengarrinha's party which is closest to the Communists. Under the circumstances, no one could say that the new coalition is guilty of a lack of ideological identification among the contracting parties.

In the same way, it is admitted that it may prove to be more effective at the polls than the APU, because, while the association of the new "independents" continues to, so to speak, protect the rearguard of antifascism, the environmentalist-pacifist group opens up a campaign front which the other parties have ignored and which could well be very effective, particularly among the youth.

Even if such a tactical maneuver does not result in a significant increase in votes, the successor to the APU will fulfill its mission of curbing the decline which all the Communist parties are experiencing in this part of Europe and to which the PCP is not immune.

In any case, this new initiative--expected, incidentally, and already assumed by this newspaper to be likely--will demonstrate, above all, that, unlike the other parties, which seek at any cost to promote their own images and the symbols which identify them, the Communist Party is reluctant to stand on its own before the electorate. What remains to be demonstrated is the underlying reason for this attitude, although it is reasonable to assume, under the circumstances, that the PCP does not want to run the risk of being confronted with its own electoral weight, even if, as might be expected, that weight closely corresponds to the vote it obtains with such arrangements as the CDU--a kind alliance with itself.

PSP's 'Intolerable' Isolation

Lisbon DIARIO DE NOTICIAS in Portuguese 9 May 87 pp 7-8

[Commentary by Antonio Mega Ferreira]

[Text] One does not have to have frequented the obscure bastions of Communist life in Portugal to know the almost desperate, persistent and militant efforts which the PCP leaders and cadres have been exerting in recent days, throughout the country, to carry out an impossible mission: to rebuild a coalition with minimal political and electoral credibility, enabling them to recreate the effect of the APU, which was broken up in a gesture of independence by the MDP/CDE.

Alvaro Cunhal's argument, that those who remain in the MDP are the "dissidents," is beginning to be pathetic; it is, at the very least, similar to the arguments of the unrepentant rightists, who hold that the Communist leaders of the countries which have installed popular democracies are the real "dissidents" in those countries. It is a signal (reinforced and repeated) of its ideological rigidity and lack of political flexibility, casting light on the PCP's desperation in a situation which it did not want but for which it obviously is also responsible.

The strangest thing is that the PCP seems to see the creation "ex nihilo" of a new coalition as the only possibility for the electoral survival of the bloc which it leads. It is noted that the PCP has only competed in elections once, in 1975, and it is as if the discouraging 12.5 percent it took then hangs like an inescapable threat over any political maneuver of the party: "The future would be bright with promise if the past did not cast its shadow over the present," Andre Gide once wrote.

In reality, what this attempt at a "remake" of the defunct APU coalition reveals is a wish to ensure that the APU goes on, even though it no longer exists; that the APU functions, even though it has been deactivated. What the PCP intends, with the reconstruction of an electoral coalition (it may be the

height of irony to call it the CDU), is to create an effect without a political cause, to simulate reality where, at most, there is only a desire, to protect the party from the negative image which it has given to itself.

Like everyone else, the PCP knows that the MDP is not "worth" more than, perhaps, 1 percent of the vote, but the party of Jose Manuel Tengarrinha has functioned for all these years as a kind of "buffer" between the PCP and the outside world--a muslin curtain behind which, comfortably ensconced in its certainties, the Communist leadership listened to the vague rumors sifting through the din out there in the world of the "bourgeoisie," which, by the way, is the overwhelming majority in the country.

Certainly, from time to time, the PCP attempted a rapprochement with other political forces or figures, but it was its connection with Eanes and the PRD [Democratic Renewal Party] that created the terrible problems it is experiencing now, at a time when the MDP, its level-headed traveling companion of the past, has felt it necessary to say, loudly and clearly, that from now on it is taking a separate path. The MDP, I repeat, is not "worth" 1 percent of the votes, but without the MDP and without the coalition, the PCP runs the risk of continuing to see the voters who were securely in the APU column flee directly to the PRD. When Alvaro Cunhal says that it is the "dissidents" who have remained with the MDP, he is trying to say, in that strict terminology which is the style of the orthodox Communist, that the current leaders of the erstwhile brother party are "misfits," "pariahs," outcasts from the "unitarian Left." From what can be seen, this formula arouses less and less enthusiasm among the broad masses to which the party, by definition, has always directed its rhetoric. In other words, the PCP is seeking to maintain the fiction, not precisely of an APU, but of an attenuated MDP which continues to hold on to the electorate which, if the Communists presented their own slate, would be tempted to "flee" to the party of Eanes.

The MDP, it should be noted, failed in the historic mission which the PCP had planned for it, to be a filter which would ensure a painless passage from the PS [Socialist Party] area to that of the PCP.

The MDP still had the residual utility of that democratic clothing which the Communists need like bread in the mouth. October 1985 demonstrated that what the PCP had not been able to achieve in 9 years of "unitarian" coalitions was possible to achieve from one day to the next. Worse, the PRD not only made deep inroads in PS terrain, but it was also given the luxury of going after tens of thousands of APU votes. The readers will remember that, after it had greeted the appearance of the Eanist party with a welcoming chorus, the PCP had to admit, feigning the indifference which indicates that the party is outraged, that the PRD had "robbed" it of many of "its" votes. For this reason, the Communists must certainly view the collapse of the APU with concern.

Prisoners of their unconditional loyalty to the Eanist area, the PCP leaders are now between the rock and the hard place; in the 19 July elections, like Caesar before Brutus, they see themselves accosted by their preferential ally.

All this adds to the political isolation of the PCP--and all this, in my opinion (as I have been writing in recent years), is not very salutary for the Portuguese party system.

In a regime in which, although the parliamentary distribution favors the large parties, its own election laws are set up to protect the minority parties, it is certainly cause for concern that about 15 percent of the spectrum represented by the political parties is permanently locked out. In other words, although the Portuguese party system offers solutions to the problems of power, it is a system which works for--85 percent. The PCP perceives that, more than uncomfortable, this situation--from which, it must be noted, the party has taken little action to extricate itself for many years--is now excruciating. The president of the republic has just denied it its last chance to escape the ghetto, in the present situation, by ruling out the possibility of the formation of a PS government, which would necessarily need the parliamentary support of the Communists. Soares showed that he also understands the 85-percent system, although, when it comes to elections, his thoughts always turn to the Left. But that is another story....

What seems clear is that the PCP now runs the risk of remaining intolerably isolated--even more so if it is thought that the profound changes in the political line of the CPSU and its conceptions of society could in time create destabilizing foci in the party's internal power structure. At bottom, the PCP is experiencing the drama of isolationism; organized like a self-sufficient state, the party appears to have lost all notion of its precise place in a dynamic political context, in which the appearance of the PRD comes like a fresh wind. The PCP, which thought it could channel the useful votes of the non-PS Left to the APU, is now threatened with seeing that same vote concentrated in the PRD.

What makes this double isolation tormenting for the Communists is the impossibility of verbalizing in a campaign what is in their hearts; that is, the historical impossibility of choosing the PRD as the principal adversary in the next election campaign, committed as they are to giving continued support to Eanes and his party, to further their basic strategic objective, which has been the destruction of the PS.

This is why the 19 July elections are also decisive for the left wing of the PS. A diminished PCP is a risk which the PCP cannot run, but a new APU which does not achieve its objectives could become a factor for internal upheaval in the party apparatus. The truth is that there is no sign of an escape from this shameful isolation. The PCP will find it difficult to sell an image of a "unitarian" coalition with the "Greens" and a handful of "independents" (a category which has virtually no electoral weight whatever), particularly if the MDP persists in its intent to put up candidates throughout the country. It is because the presence of the MDP signals the fission of the unitarian bloc that the formula no longer makes good sense. It is an effect without a cause, as I said before; it is an untenable fiction, which does not even have the light touch that truly effective solutions must always have. At bottom, the desperate attempt to rebuild an electoral alliance of the APU type indicates that the PCP is still nourishing the impossible dream of reproducing the experiments which have traditionally produced the best results. But if, for many people, the APU was already an illusion, a new coalition runs the risk of becoming just a nebula of poorly expressed intentions and ideals, which, in Portuguese politics, will be difficult to keep in mind.

Advantages of 'Hard Line'

Lisbon EXPRESSO in Portuguese 9 May 87 p 29R

[Commentary by Teresa de Sousa]

[Text] Is the PCP finally showing signs of some opening, if only in terms of its language? The question is (still) difficult to answer.

If words like "happiness" and "well being" are suddenly breaking out in some Communist Party placards, the fact is that there are no noticeable differences in its official rhetoric, much less in its political strategy.

The traditional "majority of the Left" is discreetly replaced by the "convergence of the democratic parties" for a post-election understanding in the formation of a government. This has not prevented the Communists from choosing the Socialist Party again as the target of its criticism, accusing it, ever since the beginning of the pre-campaign, of seeking "hegemony" over the Left so it can later establish "arrangements" more easily with the Right. The Communists declare: "If the PS achieves what it calls bipolarization, rotation in power and hegemony over the Left, it will not be to carry out a democratic policy, but to make new commitments and a pact with the PSD [Social Democratic Party]."

In contrast, the PCP has not had a single word of criticism for the Renewalists, even when it is confronted with the fact that it was the PRD which sustained the Cavaco Silva government in the Assembly for a year.

Besides, the PCP seems to have overcome the breakup with the MDP/CDE with relative ease. The label CDU--whose connotation of the German conservatives does not seem to trouble the Communists--has replaced the APU and the slates of the new coalition will include both MDP dissidents and (possibly in greater numbers) some Green Party deputies.

Alvaro Cunhal will continue to wager--and probably with reason--that the Portuguese Communists' "hard line" is, in the end, more productive than the Euro-communist and social democratic "deviations" of some of their European counterparts.

This will not prevent these elections from being a test for the Communist Party. Will the elections confirm or refute the results of various polls, according to which there could be a sharper decline in the loyalty of the Communist electorate?

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PS RADICALIZATION SEEN--Everyone knows that the victory by Constancio's supporters over Gama's supporters at the latest Socialist Party [PS] congress resulted--as was, for that matter, to be expected--in a shift to the left in the PS. It seems, however, that the phenomenon has grown to such an extent that it has exceeded the expectations of a number of politicians in other areas, one of them being Cavaco Silva, who has been commenting frequently and with manifest surprise on the degree of radicalization that is affecting the political practice of the current leadership on Emenda Street. [Text] [Lisbon TEMPO in Portuguese 29 Apr 87 p 5] 11798

CSO: 3542/92

DEFENSE PLAN CONSENSUS SEEN CLOSER FOLLOWING U.S. VISIT

Foreign Minister Rejects 'Footnotes'

Copenhagen BERLINGSKE TIDENDE in Danish 9 Jun 87 pp 1, 6

[Article by Thorkild Dahl: "Government: No to Footnotes"]

[Text] Foreign Minister Uffe Ellemann-Jensen does not want to destroy Denmark's reputation with new footnotes from the alternative security policy majority, and will only bow to a real lack of confidence vote in the Folketing. The Ostergaard Committee has gone to Washington for a study tour.

Foreign Minister Uffe Ellemann-Jensen (Radical Liberal Party) will not "swallow" the Social Democratic demand for the acceptance of all resolutions to regain unity in the security policy Ostergaard Committee. The East-West relationship is in a positive development as a result of NATO's firm position and in spite of the Social Democratic demand for footnotes, and the government will not accept "Anker Jorgensen's drivel about a nuclear weapons free zone in the North."

Thus spoke Foreign Minister Uffe Ellemann-Jensen, who is taking part this week in NATO's foreign minister meeting in Reykjavik, and there will be no talk of more footnotes.

"Here at home we will not repeat the fatiguing, painful, and degrading debates in the Foreign Policy Board and in the Folketing of purely formal character. So the next time you want to get at me you will have to come with a lack of confidence vote and not all the rest," Ellemann-Jensen said in a conversation in BERLINGSKE TIDENDE with Social Democratic Vice-Chairman Svend Auken.

While the foreign minister says that unity in the Ostergaard Committee is blocked in the main points of foreign and security policy, at least until the elections, Svend Auken says that among other things he will, starting with this week's trip with the Committee to Washington, try to get the "Ostergaard Committee to make a report that enumerates the points we are in agreement on, and at any rate in an intelligent way to try to explain where we perhaps are not in agreement."

The Ostergaard Committee should long ago have concluded its efforts to achieve unity on foreign and security policy. Now Ellemann-Jensen says that the Committee should extend its work and take a series of security policy aspects into consideration caused by the relaxation of tensions between the U.S. and the Soviet Union with a possible removal of nuclear missiles in Europe.

Defense Minister Before Folketing

Copenhagen BERLINGSKE TIDENDE in Danish 11 Jun 87 p 7

[Article by Thorkild Dahl: "Unity on Security Impossible Before Election"]

[Text] Foreign Minister Uffe Ellemann-Jensen says that the Ostergaard Committee cannot reach an agreement because of the Social Democratic demand for, among other things, a nuclear weapons free zone. Svend Auken calls the foreign minister's position "unrealistic."

I have the same attitude toward Svend Auken as I have toward Mikhail Gorbachov. I want so much to believe that he means and can produce all the good things he says. With Gorbachov I constantly lack all proofs of this. There is always an abyss between what he says and what he has produced," Ellemann-Jensen (Liberal Party) said.

"I have always believed that the Social Democratic Party was closer to the governing parties in foreign and security policy than we were to the Socialist People's Party. But I have begun to doubt this a little, for I understand the foreign minister's statement here today to mean that even if one stands on one's head four weeks in a row, one cannot get him into a fruitful discussion on what Denmark should say in Europe, in the Western alliance, the UN, etc., to lessen the risk of a nuclear conflict," Svend Auken, Social Democratic vice-chairman, said.

Foreign Minister Ellemann-Jensen drew the battle lines sharply, and Social Democrat Svend Auken followed in a vigorous debate on the possibilities of restoring the broad unity between the governing parties and the Social Democratic Party on Danish foreign and security policy.

Outstretched Hand

BERLINGSKE TIDENDE brought the two main actors in this play together before the decisive meetings in Washington and Reykjavik this week. The Folketing's present security policy committee, the Ostergaard Committee, will discuss in Washington the U.S.'s opinion on the thaw in East-West relations, and in Reykjavik Foreign Minister Ellemann-Jensen will meet with his NATO colleagues to establish the line of negotiation in the new East-West dialogue, among other things on the removal of nuclear missiles in Europe.

Ellemann-Jensen called Svend Auken's initiative in 1984 for a security policy committee to try to overcome disagreements "an outstretched hand, and I reacted immediately to it."

Svend Auken says that "a little country plays a little role under all circumstances in world politics, and therefore it is very, very important for a majority to stand behind the policy that is officially followed."

Svend Auken puts the responsibility for the unrest about the foreign and security policy to a great extent on the foreign minister. "Uffe Ellemann did meet the initiative positively, but in the process he has not been seriously interested in our reaching a result. I think this is because of a quite definite position -- together with a hot temper, which I at any rate will be the last to criticize others for having -- namely a feeling of always having to make a name for oneself, of always having to get the better of people, to "unmask" them, something that can be the job of the opposing politician. And Uffe Ellemann was of course trained as the spokesman of an opposition party in his time.

"This more than anything else has prevented Uffe Ellemann from allowing this to succeed," Auken said, as he placed Ellemann-Jensen together with the left wing of the Socialist People's Party and the Socialist Left Party, which do not wish an agreement on foreign and security policy, either.

Ellemann-Jensen thinks that in the improved negotiating situation between the U.S. and the Soviet Union a new Danish phase has also begun.

"While the Committee has worked, something has fortunately happened that has eliminated the strong need for an agreement. In the situation in which the U.S. and the Soviet Union stood and interrupted each other with shouts in Geneva, it was urgent. Today the Soviet Union has given up the demands that have constantly caused the Danish agenda that we are supposed to support.

Suddenly things are developing, that is, history has run away from the conflict that made work for a Danish agreement pressing. All the other things you have put on the agenda are behind the times. One of them is the hopeless matter of the nuclear weapons free zone, and quite simply we cannot agree upon such points," Ellemann-Jensen said.

Svend Auken thinks that the efforts in Denmark, Norway, Sweden, and Finland to create a nuclear weapons free zone are not only confidence building in East-West relations, but also have a real majority behind them in the parliaments of the Nordic countries.

False Majority

What I have against the majority for a nuclear weapons free zone is that there is a false majority. The majority is claimed by people like Svend Auken who use it as a trick, Ellemann-Jensen said, and got a ringing "No" from Svend Auken.

The debate on the nuclear weapons free zone has had its quiet life in Denmark, but Ellemann-Jensen sees the zone proposal as a decisive hindrance to Danish security policy unity, because the Social Democratic Party chairman, Anker Jorgensen, on the basis of Nordic parliamentary work, thinks that a Nordic zone backed up by a treaty is realistic.

"Anker Jorgensen has made it into a big emotional issue, but how can you, an insightful and talented human being, sit and be in agreement with such rot, which gives the people a completely twisted and false impression of what the security policy situation is. And thus I say that when you come with such things, which you have gotten on the agenda and want to be agreed upon in the Ostergaard Committee, then I say stop."

Debate on NATO

"And I do not say stop from tactical reasons, or just because I have high blood pressure, or because I am moreover a hot-tempered fellow, but simply because I feel that this is bringing Danish security into danger and deceiving the people," Ellemann-Jensen said, and continued with, "May I not as a humble sinner, Svend, instead of saying rot say a dead horse. May I remind you that a dead horse was Anker Jorgensen's expression about the issue when he had the responsibility."

Behind the debate on the nuclear weapons free zone lie the various opinions on the role of nuclear weapons in NATO's strategy, and among other things the question of strategy will be a main issue for the Ostergaard Committee.

"It is a debate between politicians, civil servants, and governments in democratic states on what is the correct policy. And therefore I also think that we will get a reasonable result from the Washington meeting, and I do not think that it will be one of the meetings in which a great power teaches a small power." Ellemann-Jensen said.

"We are in the middle of a river crossing, where we must discuss the future strategy of the NATO alliance, and there are many ideas on what it can be," Svend Auken said and pointed out that the Norwegian social democratic Labor Party has proposed a changed NATO strategy in which the role of nuclear weapons is reduced.

Ellemann-Jensen said that "the discussion of strategy takes place in NATO."

"The Norwegians are some of those who are interested. We are interested. We find that it is logical to discuss strategy all the time, because the world changes. And not the least in the light of the double zero solution, which indicates -- if it is carried out -- that there is again good reason to discuss strategy.

"I think that such a discussion can quite easily lead in the direction of a necessity for additional conventional forces, if we are not successful in reducing the conventional forces of the others. This belief alone demonstrates that I am serious when I say that we need to discuss strategy. We also want to have this discussion with the Social Democratic Party. I think we should have this discussion in the Ostergaard Committee, but we cannot as long as we must listen to the other complaints," Ellemann-Jensen said.

Solidarity in NATO

The Ostergaard Committee can be the place for the debate, but the foreign minister sharply criticizes the fact that the attempts up to now to draw up a common text have failed, among other things because the Social Democratic Party has always rejected references in the text to "alliance solidarity."

"You can get the majority you want, Svend. This is the Social Democratic Party's dilemma in this matter. You can get the majority you want. I am the one who decides. If you want to have the majority for the line you yourselves favored when you had the responsibility -- you do not have it today -- then you can get it with us. But there remain all the other things you have put on the agenda.

One is the hopelessness of the nuclear weapons free zone, and we simply cannot agree on these points. You have said that you will stand on the agenda. If this is your position that we must yield to this, which basically was the position of the Socialist People's Party, and that you have yielded to, then we cannot agree. And then I see no reason to force out an agreement, and therefore it is necessary to continue the work," Ellemann-Jensen said.

But Svend Auken continues to say that the Ostergaard Committee can present a list of what can be agreed upon, and present the points of disagreement. And the foreign minister "is completely unrealistic about the fact that there is a majority behind the Social Democratic Party's security policy. No matter what the result of the elections, there will be a majority that has a different opinion from Uffe Ellemann."

"It is typical of you, Uffe Ellemann, that you take as a point of departure the issue you know will be the most difficult in the Ostergaard Committee, namely the North as a nuclear weapons free zone. While I with my temperament want to say that we will take as a point of departure all the points where there is actually today agreement not just between the governing parties and the Social Democratic Party, but also really broad agreement in the Folketing as well.

"Let us take as a point of departure that one wishes Danish membership in NATO, a reliable military defense in NATO. And we also agree on a stop in nuclear tests, as well as on the spread of nuclear weapons, support for the double zero solution. Agreement covers a long series of concrete problems, also on the star wars project, SDI, I hope," Svend Auken said.

"In the present situation one can be glad that there is hope of agreements between the East and the West. And in my opinion, this could be a suitable springboard for agreement in the Ostergaard Committee.

"To demand that the Social Democratic Party write off the positions we strongly believed in when we formulated them and which we constantly thought were correct is unrealistic," Auken said.

Defense Minister Before Folketing

Copenhagen BERLINGSKE TIDENDE in Danish 11 June 87 p 7

[Article by Morten Larsen: "Defense Minister Hans Engell (Conservative Party) in Cross Examination"]

[Text] Defense Minister Hans Engell does not expect a new agreement before the elections.

With five hours cross examination of Defense Minister Hans Engell, the Defense Committee of the Folketing opened the thorough investigation yesterday of Danish defense which will chalk out the path to negotiations between the government and the Social Democratic Party on a new defense agreement.

The political spades, hoes, and shovels are not put in the shed to rest for the summer. At the end of August the Defense Committee will begin work again with a new marathon discussion followed by an observation tour of bases and air and naval stations.

"Thus I hope this is a basis on which we can, later in the fall, carry the defense negotiations further on a professional basis," the defense minister said.

He does not expect that the Social Democratic Party and the government can begin real negotiations on a new defense agreement before the elections.

"I cannot see the possibility of this with the ties the Social Democrats have with the Socialist People's Party and the lack of flexibility we have had to note in the Social Democratic Party as far as defense budgets in the coming years are concerned," Engell said.

"But this does not mean that things have to stand still. The present defense agreement runs out at the end of the year, and therefore it is essential to get so good a basis for decision that when the Folketing is again assembled we can begin the actual and real defense agreement discussions."

Parties Optimistic Following Talks

Copenhagen BERLINGSKE TIDENDE in Danish 13 June 87

[Article by Bent Albrechtsen: "Progress On Missile Agreement Eases Danish Security Policy"]

[Text] After three days of discussion in Washington the conflicting parties in Danish security policy have come much closer to one another. Progress in talks between the superpowers on missiles will also remove the tension from Danish security policy and in this way end the period with the Danish footnotes.

The Danish Folketing's Security Policy Committee could see after three days of discussions in Washington a new large political situation that can make it

easier for the parties to agree on a final report.

Statements from the member of the Committee under the conservative Knud Ostergaard's chairmanship showed that a coming superpower agreement on missiles in Europe has changed the basis for their work.

Both the conservative committee chairman and members Niels Helveg Petersen (Radical Liberal Party) and Svend Auken (Social Democratic Party) predicted that with this development there can be agreement on a report on Danish security policy which will remove some of the tension between the government and the opposition.

It was recognized that there will always be current points of difference, for example on the idea of a nuclear weapons free zone in the North, but there was also hope that such differences can be reduced by the coming weapons agreements, and that some cross-political priorities for Danish security policy can be set up.

The members of the committee declared themselves in agreement this evening that they will not allow themselves to be pressured to write a report before an election, because they want to wait for the development of the American-Soviet weapons negotiations.

Knud Ostergaard said that he is only seeking the best time to find as great a degree of agreement between the points of view as possible.

"If we agree to look forward to an American-Soviet agreement on a double zero solution for intermediate nuclear weapons in Europe, and if certain persons can stop irritating one another, we can possibly overcome some disagreements," Ostergaard said.

Social Democrat Svend Auken added, "If Uffe (Foreign Minister Uffe Ellemann Jensen) cools down a little, we can possibly get a dialogue going on the basis of new knowledge."

Ostergaard and other members -- such as Svend Auken, the Liberal Party's Ivar Hansen, and the Radical Liberal Niels Helveg Petersen -- stressed that the outlook for a European missile agreement has changed the Committee's working basis, and that in the new situation they may agree to look forward in the final report to some future basic security problems for Denmark.

The Radical Liberal Niels Helveg Petersen said, "We must be able to write a progressive report that sets some priorities and sketches Danish security problems, if a missile agreement is reached this fall."

The committee was established at the suggestion of Svend Auken and is charged with the re-establishment of cross political agreement on Danish security policy, so that the conflict between the government and the Folketing's majority can be put aside and the Danish position on NATO in the form of footnotes can be avoided.

"The starting point has been the Folketing agenda of 3 May 1984," Ostergaard said.

Ostergaard said that the Americans criticized the North because of the discussions on a European nuclear weapons free zone, but that this as well as other questions "now have been turned over" so that the Committee can prepare to finish its work.

Social Democrat Svend Auken recognized that even if agreement can be reached on illuminating the consequences of the negotiations of the superpowers-- which many Committee members characterized as potentially epoch-making-- there will always be hitches in the work." But he expressed the hope that the politicians can continue to discuss these "hitches" on the basis of common guidelines.

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NAVY TAKES DELIVERY OF FIRST STANDARD FLEX 300

Copenhagen BERLINGSKE TIDENDE in Danish 13 June 87 p 4

[Article by Nils Eric Boesgaard: "Plastic Boats Will Replace 22 of Fleet's Ships"]

[Text] Yesterday the Navy presented the first Standard Flex 300 ship, which is about to be completed in Aalborg. Interchangeable modules make it possible for it to function as a patrol vessel, torpedo boat, mine sweeper and mine layer.

"One of the most advanced warship projects in the world."

This is what Commander Niels Borck called the first of the Navy's new Standard Flex 300 ships, which soon will be ready to be put to sea from Danyard, Inc., in Aalborg. Testing is expected to be done in September, after which the final transfer to the fleet can take place in October.

"The first time one has encapsulated a warship's functions in containers or modules that can be changed according to need. This means that it takes less than 24 hours to change a Standard Flex both from a patrol vessel to a mine sweeper or motor torpedo boat," Niels Borck said, who will be the commander of the prototype.

The politicians have appropriated the 1.3 billion kroner that the building of the first seven vessels will cost, and Aalborg Shipyards, Inc., has decided to build a special factory room that can hold two boats at a time, and it will cost 50 million kroner. "Over a quarter of this amount will go to environmental protection against the poisonous dissolving materials that are used in connection with the plastic materials that are employed in building the ships," Director Aage Jensen said.

"Many other navies are eagerly watching to see whether it is successful," the chief of the Navy's Materiel Command, Rear Admiral H. Dynnes Hansen, said as he presented the ship in Danyard's provisional factory room in Romdrup outside Aalborg.

The first ship's hull was built at the Karlskrona Shipyards in Sweden and towed to Aalborg, but otherwise Standard Flex is completely a Danish project,

the result of Danish shipbuilding know-how, Danish radar and software system represented by Terma in Aarhus, and a completely new and advanced control system developed by Soren Lyngso.

The 54 meter long ship is built of glass fiber armored polyester. It is the first of a series of seven that will replace ships that are ready to be scrapped. They are patrol vessels of the Daphne class, Sund mine sweepers, and Sea Lion motor torpedo boats -- a total of 22 ships -- and if the Standard Flex project is successful, the Navy hopes to be allowed to build another nine boats.

9124

CSO: 3613/103

DENMARK

MILITARY

BRIEFS

INCREASED CIVIL DEFENSE FUNDS--"It is urgently necessary that the necessary appropriations be made if knowledge of civil defense is to be spread to the people." The Civil Defense Union has strongly recommended this -- together with a request for better training of voluntary workers -- to the Folketing's politicians, according to the Union's president, former Prefect Niels Elkaer-Hansen, in his report at the National Council meeting in Nyborg Friday. [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 13 June 87 p 2] 9124

CSO: 3613/103

CONCERN OVER CANADIAN ANNOUNCEMENT ON REINFORCEMENT PLANS

'Serious Setback' For Security

Oslo AFTENPOSTEN in Norwegian 15 May 87 p 2

[Editorial: "Canada's No To Norway"]

[Text] Canada has taken the resolution that we in Norway have known could come but that we have long hoped would not be taken: The brigade and the two fighter squadrons the Canadians were to send to Norway in a crisis or war-- the only ones completely earmarked for our country -- will have other missions. These missions Canada will also have in Europe -- in West Germany, but not in our country.

Both from military and political reasons this decision is a serious setback in the work to create greater security and a sufficient balance on NATO's northern flank. It comes a short time after the British warned that they might pull back significant forces that have been earmarked for the defense of Denmark. Such a weakening of northern Europe's conventional defense comes at a time when it is becoming clear that the alliance's nonnuclear defense will have a growing significance, in the wake of probable reductions in nuclear weapons. At the same time the expansion of the Soviet northern fleet and of the Russians' forces on the nearby Kola Peninsula continues.

Altogether this creates no simple situation for Norway. It is encouraging that NATO is beginning to seek alternatives to the Canadians, but we are afraid that the supreme commander for northern Norway, Lieutenant General Vigleik Eide, is correct in his statement Thursday that it will be "very difficult." The eyes of our allies will be directed toward Norway's own defense contribution, which has certainly grown noticeably in the 1980's, but which still makes up a moderate portion of an economy that is stronger than most other NATO countries.

On this occasion it might be good for Norway to note the words of the military theorist von Clausewitz that "never has one seen that a state has taken another state's interests as seriously as its own." We should ask ourselves whether Norway's restrictions on advanced storage and on stationing of personnel, together with a refusal to cover part of the expenses, have contributed to the Canadian decision. It will be correct to say that we have

paid the military price that our political restrictions call for. Norway must constantly understand that the more we ourselves do for our defense, the easier it will be to convince our allies that they can and should make an extra effort on the northern flank.

Earmarked Until Replacement Found

Oslo AFTENPOSTEN in Norwegian 25 May 87 p 18

[Text] Canada will not without further ado weaken Norway and NATO. The military force of 5,000 men earmarked for the defense of Norway will not be redeployed before there is a replacement. And Canada will continue to hold a battalion of about 1,000 men ready for assignment in Norway that can be part of a NATO organized mobile force. The country will also probably fulfill its promise to send an aircraft squadron to Norway from the Canadian forces in West Germany.

These were promises the Canadian delegation leader Robert Hicks made during NATO's North Atlantic spring session in Quebec Saturday. The information came after the Norwegian delegation leader, Thor Knudsen, had complained about Canada's plan of no longer earmarking forces for Norway in time of war. Knudsen said that the decision on this matter has come at the wrong time. He said it was wrong to signal to the East that NATO is reducing the defense of the north flank at a time when the Soviet military force buildup has reached a high point, particularly in naval forces in the North.

One of Hick's advisers in the conference said that the existing British/Dutch tank force in NATO will be closer and better suited to take over Canada's role on the northern flank.

Next Best Solution

Colonel Gullow Gjeseth of the defense high command told NORWEGIAN RADIO NEWS that Norway's primary wish is that Canada maintain its force planned for the defense of Norway. But if this cannot be done, the next best solution is that the battalion in NATO's Fire Brigade be retained and that an aircraft squadron be made ready for use.

"This is good news," Gjeseth said. He also thinks that it is good that Canada is waiting to do anything before a replacement for the force is found.

Search For Replacement

Oslo AFTENPOSTEN in Norwegian 26 May 87 p 5

[Op Ed Article by Werner Christie: "Who Will Replace Canada's Soldiers?"]

[Text] Well then it has happened: Canada is pulling out. The Canadian force of 5,500 men and two fighter squadrons, together with a number of helicopters, was the only relief force that was firmly earmarked for use in Norway. To be sure, the decision is not yet official. It will not come into a white book until summer. It will be interesting to read this document, which we hope will

clarify the Canadians' reason for cancelling their obligations in northern Norway. It is somewhat paradoxical that we must wait for a Canadian white book to understand the consequences of our security policy, particularly our base policy. Here at home the matter has been remarkably little discussed.

Norwegian politicians have generally strongly insisted that our base policy is firm. Often one has at the same time gotten praise for the cross-political unity on questions of defense and security. If a politician began a discussion of our base policy, he would soon feel the party whip.

Risk

The base policy is also taboo in military circles. Military considerations favor the earliest possible positioning of troops and equipment in the area of use. Transfer during crises and war are at best expensive and full of risk, and in the worst case they are impossible because of lack of transportation capacity or the opposition's deployment. Militarily, this is basic. Nevertheless, there is hardly an officer on duty who will say it publicly and risk his future advancement.

Is not Canada the nation we can most easily accept? Canada is not a nuclear power, and Canada has never shown aggressive tendencies. Based on our undivided good experiences with "Little Norway" and connections after the war, we have every possible reason to expect a reliable and good cooperation.-- Apart from our Scandinavian neighbors, the Canadians are probably the nation we have most in common with.

Solidarity

For their part, the Soviets must use their best obstinacy to claim that 5,500 Canadian soldiers in Norway make up a threat against Murmansk. The Canadians on the other hand will be a guarantee that assures an instant expression of NATO's solidarity if the Soviets should harbor plans for a lightning attack. The effect of the signal will be clear and it will be a deterrent to war.

The base policy is a self-imposed restriction, and we can change or modify it without consultation with other states. We have also done this. We have advance storage, the COB agreement, AWACS, and other arrangements that stretch the base policy a long way. Soviet strategists will have to deal with the fact that our bases are NATO bases. With the increased tension in our nearby areas there is danger that our base policy will invite a race between the East and the WEST to assure themselves support points for their air and naval forces, or at any rate to prevent the opponent from using our bases. Back in the 1950's the base policy had a peacekeeping effect, but the technological development and the increased tension in the northern areas has changed the foundation.

The Balance

As a final argument one is presented with "the northern balance." I have great difficulties understanding what this concept really means. It is claimed that we must show reservation in respect to Sweden, and particularly in respect to

Finland. If we give up our base policy, the Soviets will increase pressure against Finland, possibly even resort to open aggression.

Finland today is probably the country that has the best neighbor relationship with the Soviets. Poland, Czechoslovakia, Afghanistan, and other neighbors that are governed by Soviet bayonets, cost both rubles and good will and are unreliable allies in time of need. Finland on the other hand has managed to create confidence and understanding. The Kremlin knows that the Finns will stay calm as long as they are not attacked.

Neither Finland nor Sweden will openly applaud a relinquishing of the Norwegian base policy. The reason is that such signals will immediately be noticed in Moscow. Nevertheless, NATO bases in Norway mean a welcome support for the Swedes and the Finns. The Canadians, with their clearly defensive aims, would have been particularly acceptable.

Who will replace the Canadians? The Americans have nuclear weapons, the Germans have a past, and the English have enough with themselves. There is no line to help us with a replacement.

Would it not have been smart to show our Canadian friends greater courtesy?

9124

CSO: 3639/66

WARTIME AIR NAVAL, LAND REINFORCEMENT NEEDS VIEWED

NATO Would Secure Airspace

Oslo AFTENPOSTEN in Norwegian 6 May 87 p 5

[Article by Liv Hegna]

[Text] Norway is inadequate in all-weather fighters, and this weakens our air defense capability in case of invasion. In NATO Norway is pressing to increase the number of such fighters that are earmarked for us. In general, allied air reinforcements will be able to reach Norway rapidly and in time to help both with air defense missions and measures against invasion.

Our F-16 aircraft now have only limited all-weather capacity because the heat-seeking air-to-air Sidewinder missiles cannot be used in clouds. One cannot say this about the Penguin missiles that are coming around 1988-1989. The Penguin missiles can to be sure be programmed and fired in clouds, but the missiles are guided with the help of heat-seekers in the end stage and must then be under the cloud layer.

The American Air National Guard (ANG) has an important role in reinforcing Norway. Most of the ANG squadrons earmarked for Norway have been equipped with older F4 Phantom aircraft with limited air defense capability. This situation is about to be changed, as more and more ANG squadrons are being equipped with F16 and F15 aircraft. These are to be sure "hand-me-downs" from the regular squadrons, but they still represent a significant strengthening of the air defense potential.

Decisive

The defense chief has pointed out that it has become extremely clear that our own national effort is of decisive significance for our allies' will and possibility of sending forces to our area. In particular it is a matter of tasks they feel we could just as well perform ourselves.

According to the defense chief our allies claim that they themselves have taken on tasks that are just as burdensome politically and economically for them as they would have been for us. It is also clear that NATO constantly points out that Norway lies below the alliance's stated minimum requirement

for the number of pilots with a sufficient level of experience. It is important to have enough pilots so that the unit will have the necessary staying power in combat.

Sensitive Aircraft

It is a tradition in Norway that we distinguish between politically acceptable aircraft and aircraft that require special clearance from time to time. As a part of Norwegian reassurance policy, some special offensive weapons systems are excluded from exercises in Norway. This applies to aircraft with long range and ability to carry nuclear weapons. But the tendency in the development of weapons systems is going toward constant improvements of these qualities in most aircraft. Do we have here a future political nut to crack?

The American Marine Brigade (4th MAB), for which equipment is stored ahead of time in Trondelag, is, among other things, equipped with A-6 aircraft. This is one of the sensitive aircraft, and it was specially taken from the list of aircraft the MAB could bring to Norway in case of war.

The prevailing opinion is that the MAB is a heavy brigade. This is not correct. The brigade's heavy artillery is among other things precisely the A-6 aircraft. A-6 Intruders have the ability to make precision attacks, particularly in darkness and in bad weather, and even a small number could play a significant role in the defense of Norway. It is worth noting that we do not have replacements for the A-6 aircraft the Americans are not permitted to bring to Norway when they come according to the bilateral agreement between the Norwegian and American governments.

Use of Air Bases

The American authorities have entered into agreements with several NATO countries on the use of air bases. The agreements (LOB) include about 70 air bases in Europe and involve supply support and storage of material so that the air bases will be able to effectively accept American air reinforcements during a crisis or in a war situation. The agreement with Norway today also includes the Marine brigade's aircraft.

Supply will continue to be a problem, particularly as far as weapons are concerned. The F-111 aircraft are also excluded from the COB program. The aircraft are political controversial, particularly the bomber version. Even if the F-111 is beginning to become an "old" aircraft, it is still very important in the NATO defense organization. This applies particularly to the version that has been developed to carry on electronic warfare. There is a significant threat in this area, and Norway has no capacity here.

Control

There is a provision that we ourselves will take over command and control of the air operations within the area of Norwegian sovereignty. This puts a heavy burden on our air leadership organization, a burden that today can hardly be borne, because the Air Force today is suffering from such a difficult personnel situation on the leadership level. NATO is not satisfied with the

situation in Norway in this area.

For several reasons, but also because of our partially vulnerable radar system, Norway decided to participate in NATO's flying air warning force (AWACS). These aircraft operate from the forward Orland Air Base and have strengthened the control and warning system. One can now detect and follow targets at low altitude, targets that earlier were invisible for the land-based radar stations.

Air Defense

The concentration of air defense in Europe is rather small. Air defense will probably not be available if Norway should want allied assistance in this area. In the meantime, Norway is improving its missile air defense with the introduction of HAWK in the Air Force and Robot 70 in the Army and Navy in the years to come. The new systems can more easily survive electronic warfare measures and are more accurate against very fast, low-flying targets (cruise missiles).

It is assumed that the Americans will bring along air defense when they come with their Marine brigade. The U.S. Marines will hardly operate in a combat area without air defense. This comes as an extra bonus for Norway. There are no plans for reinforcements in air defense, even though they are badly needed in this country.

Exercise Patterns

Our base policy does not allow the continuous presence of the forces that are planned to be transferred when we ask for them. So that the plans for reinforcement in case of crisis and war will have credibility, it is important to have regular exercises in our country. Critical voices in the Air Force think that the exercise pattern has become rigid and that it is much too closely connected to NATO exercises. Greater flexibility is advised in exercises for allied and national forces. One asks why our own Air Force exercises cannot be developed independently of the large combined exercises.

Navy Requires Allied Assistance

Oslo AFTENPOSTEN in Norwegian 18 May 87 p 5

[Article by Liv Hegna]

[Text] The strength relationships in the seas around us have always had a strong influence on our country's history, on our ability to guide developments, and on our own fate. In a period of massive Soviet naval dominance, NATO support helps us to manage this. The seas surrounding us must be considered as the forward areas of naval invasion.

The possibility of waging war in Europe more than ten days is completely dependent upon reinforcements brought over the Atlantic. In the course of the first 30 days there will be a need for 800 shiploads of military equipment and 1,500 shiploads for civilian needs.

Reformation

NATO's maritime strategy is undergoing reformation. From being passive in outlying areas, it has now been decided that more stress must be placed on forward operations. Besides this, one thinks that forward deployment is not necessarily a change to an offensive strategy, but more an active and goal-directed use of limited resources to be able to defend the NATO area with conventional weapons. One assumes that one can in this way manage to raise the nuclear threshold. To avoid early use of nuclear weapons, NATO must be able to meet Soviet naval forces far out in front in order to prevent them from spreading their forces over large sea areas where they will be difficult to defeat.

A NATO force with American aircraft carrier groups has this ability and will with its presence be able to reduce NATO's need to have recourse to the first use of nuclear weapons. The forward strategy strengthens the deterrent effect and improves the outlook for a conventional option.

British Naval Power

Among the Royal Navy's main tasks in NATO is support for the Atlantic Fleet's striking force in submarine warfare. The unit is designated ASWSTRFOR and consists of one or two aircraft carriers of the "Invincible" class with Sea Harrier fighter-bomber aircraft on board, in addition to antisubmarine helicopters and air warning helicopters, various antisubmarine frigates, destroyers with air defense capability, and NIMROD maritime patrol aircraft. Nuclear-powered attack submarines also often take part in the force. These attack submarines will play an important role in offensive underwater operations to bottle up Soviet units from the northern fleet and the Baltic Sea fleet and keep them away from Norwegian areas.

The British calculate that about 1990 almost a third of the budget appropriations for new equipment will be used for a submarine based nuclear deterrent force, the so-called Trident program, if it is approved. The largest burden will be placed on the Navy. The program can therefore have consequences for the future organization of the Royal Navy. There can be from a Norwegian point of view an undesired effort to weaken NATO's naval forces as a whole, in a period of growing Soviet capacity in the North Atlantic Ocean and the Norwegian Sea.

West Germany

The European naval forces can be charged with holding the position in the Norwegian Sea as best they can until more powerful forces from the Atlantic Ocean Command (SACLANT) are introduced.

The Federal Navy contributes to the control of the Baltic Sea exits and therefore has a role in the defense of southern Norway. It can probably be said that the Federal Navy has found its form and is completely equipped for its tasks in this area. Now the Federal Navy is ready to take on tasks in the northern waters. In the West German "White Book" of 1979 the Federal Navy's

operational area is limited to 61 degrees northern latitude, which forms the border between the North Sea and the Norwegian Sea. In the "White Book" of 1980 this self-imposed limitation is not there, and in 1985 the concept, "North Flank Area" is introduced. It encompasses the sea areas of the Baltic, the North, and the Norwegian seas.

Norway's Role

The Norwegian defense forces will be faced with far-reaching choices in the time before the new century. Sinking national defense capability and low appropriations make Norway more and more dependent upon NATO. The tasks the Navy will have in war will exceed our abilities and resources. It is no longer possible to maintain standing forces in peace that to a sufficient degree will be able to meet the needs of war. A nucleus with naval expertise is therefore sought with the idea of maintaining preparedness for war.

It will be decisive for the effectiveness of vessels and personnel in war that they are trained on completely equipped combat vessels during peace time. Also in such connections, cooperative training and exercises with allies means much. Valuable information that give Norwegian units useful ideas is exchanged during such exercises. The only limitation on cooperation is information on nuclear weapons and procedures for their use.

Reinforcements

In war the Navy will have many tasks: bringing in reinforcements, escort duty, protection of ports and supply lines and mine removal, in addition to defense against invasion.

During wartime the need for supplies to northern Norway will be a good thousand tons a day. Close to 100 ships will be continually underway. Military reinforcements to the northern land areas will require ten vessels of a certain size for every brigade unit for which supplies have not been stored beforehand.

For the Navy it will be very difficult to establish convoy service for 90-100 ships at the same time. Even if the Navy is not willing to shift the responsibility for areas along the coast to the allies, other nations' navies can be asked to assume more restricted tasks.

The defense chief's recommended structure for the Navy in the year 2000 includes eight to ten combat escort vessels, six Coast Guard vessels that can laid in escort duty, and three minesweepers. In the structure adjusted to resources, these figures are reduced to seven combat escort vessels, six Coast Guard vessels, ten minesweepers, and three mine-detecting vessels.

If the politicians choose appropriations in agreement with the resource-adjusted structure, this will require measures that ease the allies' contribution. Ammunition dumps for allied sailors should be the first step in this direction, naval leaders seem to think.

Concern Over Land Reinforcements

Oslo AFTENPOSTEN in Norwegian 19 May 87 p 5

[Article by Liv Hegna: "No Guarantee of Outside Help"]

[Text] Presupposing reasonable warning and the taking of measures in time to reinforce both national and allied defense forces, an attack on Norway would have an uncertain result. A cooperative reaction from Norwegian and allied forces provide the best deterrent. Nevertheless, for Norwegian defense planners it is still a dilemma that we are not guaranteed the arrival of any army forces in Norway.

Canada's signals that the mutual cooperation on the strengthening of northern Norway can end was clearly meant more seriously than one has been able to understand it in Norway up to now. And if the carefully built up reinforcement program begins to unravel at one point, it can easily have repercussions in a time in which most countries are working under tight economic limitations on defense expenditures.

The British

The British/Dutch commando brigade exercises regularly and long in Norway. The force has become very good in winter warfare.

The British can now move in fjords and sounds with various boats. The force has a good many helicopters to help itself with. In the coastal areas it has become better than both Norwegian and other allies. Even if the leadership of the Norwegian Army has recognized the amphibious need one has in northern Norway, the need has not been put up on the priority lists.

There are otherwise many military people who complain that the British/Dutch commando brigade will not take part in the large "Arrowhead Express" exercise in the winter of 1988. The reason is among other things a lack of money for support of the host country.

The Americans

An important development of the alliance's contribution to the defense of Norway is the carrying out of measures in connection with the European Command's reinforcement plan, the so-called Rapid Reinforcement Plan. For Norway it is first of all aircraft reinforcements that enter into the plan, but also the airborne Marine brigade (MAB) is part of the program.

The Soviet north fleet's dominance in the Norwegian Sea will put Norway in a difficult situation in a crisis. Not least of all because the preparatory supply agreement between Norway and the U.S. is one of the most important allied countermeasures that has been made. In the agreement, it is agreed that Norway will provide sufficient means of transportation for the loading and transport of the brigade's personnel and equipment if it is to be transported to other places in Norway. This includes the transport of ammunition, provisions, and fuel for the transport of the brigade to threatened areas in Norway. (northern Norway).

The Fire Brigade

The most complicated force Norway will possibly receive is the Allied Mobile Force (AMF), or "The Fire Brigade," as it is popularly called. The force is complicated because it has units from seven different nations, with the lack of standardization that this entails.

The Fire Brigade can come early, perhaps before we ourselves have taken important measures. The Fire Brigade can arrive in the middle of our mobilization. There is the question of how we will manage to secure air bases and ports when the force arrives before we ourselves have been mobilized. The Home Guard is good enough for these tasks, provided people are found. The depopulation that is taking place in our northernmost counties, particularly Finnmark, has already made it clear that there are not enough forces for these tasks in some places.

The Fire Brigade must be said to have limited military value. The force is primarily of political significance. When it has arrived in Norway, NATO is directly involved in the defense of the country.

Expeditionary Forces

Soviet thought is that the struggle is to take place as far away from Soviet territory as possible. The Norwegian thinking seems to be the opposite. The struggle will take place on Norwegian soil after they are attacked. We impose this moral norm on ourselves, but fully accept and find it quite natural that allied nations establish and maintain expeditionary forces that will come to us with relief and reinforcement. It was possibly to destroy this double morality that Major General Gunnar Helset presented a future vision in a 15 year perspective of a Norwegian brigade assigned to the defense of Denmark. His justification was that a forward defense of southern Norway begins in the Danish sound and belts.

Cooperation

Many Norwegian officers have gone to staff school abroad after finishing staff school in Norway. Countries such as Great Britain, the U.S., West Germany, Canada, Sweden, and France accept Norwegian students. It is a clear priority to send career officers to courses abroad. A result of this is that allied officers come to Norway for exercises and meet old acquaintances in important key positions. This considerably improves communication. In addition, Norwegian officers learn allied operational thought and leadership, a significant resource in the cooperation between Norwegian and allied forces here in this country.

A Certain Skepticism

As far as attitudes toward our conscript defense among our allies is concerned, there was a certain skepticism for a while. How good are Norwegians, anyway? As one of the smallest brothers in the NATO family, it is natural that Norway should be subjected to critical analysis.

Most of the reinforcement troops that come to Norway are professional soldiers. They are not quickly convinced of the conscript soldiers' ability to carry out combat. One conclusion that in the meantime has become quite clear in this debate is that Norwegian regular officers do well in comparison with their allied colleagues.

Nor must it be forgotten that Norwegian soldiers are above average in intelligence in the Norwegian population. Nor is Norwegian temperament necessarily a handicap in competition with foreign quality.

9124

CSO: 3639/62

NORWAY

MILITARY

EX-FOREIGN MINISTRY OFFICIAL AUTHORS WORK ON NORTHERN SECURITY

Oslo AFTENPOSTEN in Norwegian 18 May 87 p 2

[Book Review Article by Alf Seeland: "Heightened Tug-of-War in North"]

[Text] The enormous Soviet Russian fleet buildup in the North in recent decades poses a political threat to the North. At the same time, the American Navy has begun to play a more offensive role in the Norwegian Sea. The game between Soviet nuclear strength and the American attack submarines has become a cat-and-mouse game in which Norway cannot do much.

This was written by the former administrative head of the Foreign Office and present chief of Norway's Information Office in New York, Sverre Jervell, in his book, "Competition for the Norwegian Sea," which has recently appeared. Jervell belongs to the younger generation in the Labor Party that has long advocated a stronger Europeanization in Norwegian foreign and security policy, and in this way he has been a disturbing element in the Foreign Office.

The book was written on the basis of a prize assignment for Harvard University some years ago, and the manuscript was carefully examined under the microscope here at home before Jervell published it in book form.

Shielding

Jervell points out that Norwegian security policy consists of deterring the Soviet Union through NATO membership. At the same time the superpower is to be calmed, among other things through Norwegian nuclear and base policy. Since the 1950's Norway has wanted to bind the U.S. to the defense of Norway, but at the same time to shield itself against parts of American military activity in the Norwegian area.

In his book, Jervell suggests that the situation in the North will more and more bear the stamp of the global tug-of-war between the U.S. and the Soviet Union. This is nothing new. It is actually an official opinion here at home, making the balancing of our security policy all the more important. The current opinion here is that Norway is served with a greater degree of allied fleet presence in the North.

Europe

"More of the ambivalence that previously characterized Norwegian postwar policy is necessary," Jervell writes, who claims that this has gone more into the background in the 1980's. "There is by no means agreement in the political establishment in Oslo that Norway needs its own policy in relation to our most important allies."

The author says little about how such "ambivalence" will look in practice. It would have to take place on a stronger European base, something Jervell advocates, in agreement with the new voices in Norwegian foreign policy.

Concretely, the author suggests that Norway seek association with the EC on the basis of Article 238 in the Rome treaty. He points out that there is a marked movement today in the direction of Europe. He is right. Particularly the EC's foreign policy cooperation, EPS, and its success has caused Norway to seek a European dimension in its foreign policy.

Hardly Satisfactory

It is in the cards that Norway can become the Community's 13th member country, Jervell maintains, but he admits that this cannot happen until the next Storting period at the earliest. "It would hardly be satisfactory if Norway should remain completely outside European political cooperation while a Soviet buildup is taking place with an increasing tug-of-war between the Soviet Union and the U.S. in the North, at the same time that Western cooperation is in the process of reformation," Jervell writes.

As stated, Jervell's presentation of the problems is not new, but he has given them a sharper form than what one is used to here at home. Many have also sought in vaguer words a stronger "Europeanization" of Norwegian foreign and security policy. They may now have found a spokesman in the young Foreign Office man. But the problems will not be solved, even with Norwegian membership in EC. The U.S. will continue to be the most important guarantee in the North of Norwegian safety in peace and in conflict. On the other hand, we can get more legs to stand on with more cooperation with EC.

Illusion

In the meantime we suspect that Jervell himself is aware that Norwegian EC association is an illusion. This is not just because of political will in Brussels. Association is something that is permitted to politically and economically underdeveloped countries -- as preparation for membership. Greece is an example of this process. It would be remarkable if the former applicant country for membership, Norway, which said no to a complete sharing of influence and responsibility, should now come along with an application for anything less than membership.

But Jervell is right that EC membership can some day become a reality. In the meantime we have mainly the U.S. to depend upon.

Sverre Jervell:

"Competition for the Norwegian Sea"

Tiden Publishing House

NORWAY

MILITARY

SOCIALIST LEFT ATTEMPT TO HALT AWACS REJECTED IN PARLIAMENT

Oslo AFTENPOSTEN in Norwegian 20 May 87 p 5

[Article by Morten Malmo: "Socialist Left Gets No to AWACS Proposal"]

[Text] Yesterday the Storting rejected a proposal from the Socialist Left Party that Norway's participation in NATO's airborne control and warning force be halted. The Socialist Left said that the presence of the AWACS force at Orlandet Air Base undermines basic Norwegian policy, but the majority did not agree.

It was the Socialist Left's Theo Koritzinsky who initiated this matter, as the party has also done earlier. He pointed out that the AWACS unit at Orlandet is called a "forward operating location," while corresponding units in Greece, Turkey, and Italy are called "forward operating bases." "Different words cover the same reality," Koritzinsky said. Both Jan Petersen (Conservative), Reiulf Steen (Labor), and Kjell Magne Bondevik (Christian People's Party) distanced themselves from Koritzinsky's assertion that AWACS undermines basic Norwegian policy. Defense Minister Johan Jorgen Holst did the same.

"Orlandet is different from operational bases in southern Europe primarily because the hill installations that service the aircraft are much less comprehensive," Holst said. He also stressed that the 40 persons employed at Orlandet in connection with the control and warning system are Norwegian. "The crews on board the aircraft, which are usually made up of 17 persons, are internationally put together and vary from operation to operation. There is therefore no lasting assignment of foreign personnel when the crews are transported to Orlandet in connection with operations," Holst pointed out.

9124

CSO: 3639/62

AZORES SEEN NOT BENEFITING FROM U.S. BASES

Lisbon TEMPO in Portuguese 7 May 87 p 18

[Article by Jose Nunes]

[Text] Ponta Delgada--The American forces stationed in Lajes will get a new commander this summer. It was the detachment's commander himself, General Larry D. Wright, who made that announcement, since he is about to retire.

This is happening at a time when the Azores are again in the news because of the possibility that services currently provided at the Spanish bases will be moved to Lajes, the reason being uncertainty as to whether the Spanish will allow the Americans to remain in their territory.

Although it has been stated that the Lajes base is not equipped to handle 72 F-16 fighter planes which the United States currently has stationed at the base in Torrejon and that its use will involve only the stationing of conventional armament, there are no sure signs that that was not simply an expedient statement aimed at calming public opinion. The Americans may very well be intending something different.

The U.S. Government is aware of the importance of the Lajes base to its country. For that matter, the usefulness of the base in the Azores was more than proven in World War II and, more recently, during the Arab-Israeli War of 1973. But the Americans also know that the Portuguese are not happy with the quid pro quo they are receiving. That is probably why Reagan has submitted successive proposals to Congress to increase economic aid to Portugal--proposals which Congress has not approved. Perhaps aware of that discontent and knowing that the Portuguese Government might have another negotiating card, the Americans have opposed transfer of the strategic zone of the Azores from WestLant (Norfolk) to IBERLANT (Oeiras), a move that would strengthen Portugal's position within NATO.

Aware of that discontent, the new U.S. ambassador to Portugal is already informing Washington that there would be every advantage in moving ahead soon with renegotiation of the agreement covering the Lajes base, since it is well known that the U.S. Government is currently paying Portugal substantially less

in quid pro quos than it is to other countries that provide it with facilities in areas of equal strategic importance.

It is known that the Azores are an "important trampoline for U.S. intervention in Europe and the Middle East and on the African continent," as is recognized, incidentally, in a study prepared for the Institute of National Defense by important Portuguese military strategists. But what is good for one is bad for another. That is frequently true, and it is in this case as well, as is demonstrated by the fact that in exchange for compensation that is of little benefit to the Azoreans, the Americans have introduced into the Azores a pest which, if it spreads through the various islands, may reduce Azorean agriculture and stockraising to zero. That pest, the Japanese beetle, was brought from other places in the fuselages of U.S. aircraft, and it is resisting the various attempts already underway to exterminate it.

But the bases are also detrimental to the Azoreans because it is the latter who run the risk and will suffer the consequences of any military ambitions or involvements between powers.

As if all that were not enough, it remains to be said that no one has ever denied that nuclear weapons may be stored in various U.S. underground storage dumps on Terceira Island. If it is confirmed that they are, that would mean further risks.

It is true that the Lajes agreement provides some financial quid pro quo for the Azores, but the money in that kitty is not seen by the Azoreans, since it goes to the Portuguese Armed Forces and the Lisbon government.

In fact, our Armed Forces are the main beneficiaries of the Lajes agreement, considering the supplemental aid they receive from the United States and from the sums provided in the agreement itself. But the reward given to the people of the Azores by the military is very poor, as was proven recently by the fact that they wanted neither the Azorean flag nor the Azorean anthem in their barracks. That is how the military--and the minister of the republic is also a military man--pay for the benefits they receive at the expense of the Azores and for the welcome accorded them by the Azoreans themselves.

Nor can one say anything good about the American military, since they consider themselves a "superior race," as was demonstrated by a recent order from their commanders which prohibited the men from "mixing" with the people and thus prevented them from participating in the popular bull run on Terceira Island.

11798

CSO: 3542/92

NORWEGIAN PROFESSOR: NORDIC ECONOMIES NEED RESTRUCTURING

Oslo AFTENPOSTEN in Norwegian 25 May 87 p 22

[Article by Professor Johan A. Lybeck: "Deepgoing Scandinavian Problems"]

[Text] The cooperative organization of the industrial countries, OECD, recently gave new warnings against the problems that the Norwegian and Danish deficits in foreign trade will bring if something is not done soon. Sweden avoided such a warning this time. On the other hand, OECD did warn against continued rapid price and wage growth in Sweden.

In today's article I want to point out some of the underlying problems the three Scandinavian economies share. I will argue that the problems are not temporary phenomena, but structural in character. This means that it has to do with problems one has had, openly or latently, for many years. It means that they are problems one cannot solve by rapid political decisions. They are problems that are deepgoing and that require changes in the Scandinavian economic and political systems.

Wage and Price Formation

The first problem is wage and price formation. How are the Scandinavian countries, which traditionally have had more rapid inflation than the surrounding world, to be able to reduce the rate of increase in wages and prices to the level that exists in competitive countries? How can we, in other words, avoid devaluations that always menace the present system?

Denmark has certainly "solved" the problem by an unemployment rate of about eight percent. Every attempt to lower unemployment leads to renewed acceleration in wages. In Norway, wage costs have risen 10-11 percent every year in recent years. This went well as long as the oil industry contributed to increased effectiveness in the country by seven percent every year. Now this does not work anymore. As a result there is inflation that OECD estimates at eight percent this year. This should also presuppose that wage growth, calculated on the basis of the effects of "income settlements," will be ten percent, which seems low. It will probably be a few percentage points higher.

In Sweden, prices and wages in 1987 are being held down because of the two-year wage agreement in the labor market and a total price freeze. In 1988

there will probably be a return to wage increases of eight to nine percent and an inflation of six to seven percent, because the underlying system for wage formation is the same as before.

The large wage increases have led to a strong increase in the consumption possibilities of households. But it has not been enough. In spite of the large wage increases, the households have, after taxes and inflation, gone into their accumulated savings. In Sweden the households' savings quota is calculated, as a part of their disposable income, two percent lower, both this year and next. In 1986 household consumption increased by over four percent in real value.

Norway has a corresponding problem. In spite of the rapid wage increases, household saving is decreasing. In 1986 the savings rate was reduced by almost three percent. The worsening of the Norwegian economy will make the savings quota at least just as negative this year. In Denmark household consumption has increased by over four percent, both in 1985 and 1986, in spite of low production growth. How one is to get the households to moderate their wage demands and increase saving will become a difficult task for economic policy in all three countries.

Foreign Economy

The third problem is the chronic deficit in the trade balance. In Sweden the deficit in foreign trade has increased since the beginning of the 1970's, in spite of the fact that every market top has been weaker than the previous one, and in spite of the fact that the Swedish krone has been devalued five times for a total of 38 percent. In 1987 the balance of trade will also show a deficit, which will be worse in 1988.

In Denmark the trade balance has been negative every single year since 1966! There have been many belt-tightening packages, but none of them has been able to get the trade balance even by chance over the zero line. The deficit in 1986 was over 30 billion Danish kroner and this year it will be over 20 billion kroner.

In Norway it is the low oil prices in connection with a rapidly continuing increase in demand that plays the "villain" in the piece. This year's deficit, according to OECD, will be over 40 billion Norwegian kroner.

How can the Scandinavian countries manage to soften their wage demands, save a larger amount of what they get in their pocketbooks, and besides this spend a greater amount of their demand in the home market?

The fourth problem complex is the public sector, which is to solve the three problems mentioned above. Obviously "the public sector" has several problems that are all of a structural character. One is the public sector's total size and therefore its ability to encroach upon private decisions. In 1984 the total public expenditure made up 64 percent of the gross national product in Sweden, 61 percent in Denmark, and 50 percent in Norway, as compared to 45 percent on the average for all industrial countries. The total tax pressure was in the same year 60 percent in Sweden, 56 percent in Denmark, and 54

percent in Norway, compared to 40 percent in the whole OECD area (everything measured in relation to GNP).

Another problem is the public sector's constantly lower productivity. Studies in Sweden showed that the public sector became 1.5 percent less effective each year. As far as I know, there are no similar studies for Norway and Denmark.

An additional important problem complex for the public sector is connected to how public decisions are made. The three Scandinavian countries are of course all so-called parliamentary systems in which the voters' choices go proportionately through parliament's composition and therefore through the government's composition and strength. This system seems to cause not only frequent changes in government, something we also observe in many other countries, but also to weak governments with shifting parliamentary support. They are forced to enter into compromises here and there in order to get anything at all through in parliament.

The conclusion to the above is that the three Scandinavian countries are struggling with serious problems that existed long before the oil crisis in 1973 but that are being pushed forward today. In some cases the problem is solved, for example by Denmark's joining the European currency cooperation organization, EMS, which has led to a more stable krone and less risk of devaluation. But the other problems remain in full force, and they will continue to be there in the future.

I will return in future articles to more detailed discussions on various problems, together with suggestions for solutions.

9124

CSO: 3639/67

GOVERNMENT EXPENDITURES AT RECORD LEVEL

Copenhagen BERLINGSKE TIDENDE in Danish 29 May 87 Sect III p 8

[Article by Frank Dahlgaard]

[Text] The budget report of the Ministry of Finance conceals the real growth rate in the expenditures of the public sector during the last 5 years.

During the existence of the Four-Leaf Government, the public expenditures have increased by 26.7 billion kroner--in fixed purchasing power.

This means that the total expenditures of the state, the counties and the municipalities have increased by 15 million kroner every single day that Poul Schluter has been prime minister--including Sundays and public holidays.

The political debate does not exactly reflect this impression. For the constant message of the Social Democratic Party and the left wing has been that the Poul Schluter government has been making brutal cutbacks in the public expenditures. The actual situation, however, is that although the nonsocialist government has carried through savings in the public expenditures in a few areas, it has, on the other hand, increased the expenditures considerably in many other areas. And the increases in expenditures thus far outweigh the total savings.

Altogether, the public expenditures have thus increased. It is even a question of a considerably larger increase in the expenditures than hitherto assumed.

This is revealed in a study of the new budget report of the Ministry of Finance. However, it takes a thorough study of the 338-page budget report to uncover the sharp increase in the expenditures. It is clear that the nonsocialist government and its officials have done what they could to conceal the harsh realities with respect to the increase in the expenditures.

Botched Figures

In the budget report (page 66) accounting and budget figures are grouped, though they are not immediately comparable.

According to the accounts, the total public gross expenditures in 1982 amounted to 346.8 billion kroner (measured in terms of the purchasing power of the krone in 1987). According to the public budgets, the expenditures this year amounted to 364.2 billion kroner.

On the face of it, the budget report thus gives the impression that the total public expenditures in the last 5 years increased by 17.4 billion kroner in terms of the current purchasing power.

That, however, is wrong.

The actual growth in expenditures amounts to as much as 26.7 billion kroner.

In answer to a question, officials within the Ministry of Finance state that a comparison of the historical accounting figures and the most recent budget figures give a false impression of the actual growth in expenditures. The correct picture of the growth in expenditures during the Schluter government is obtained by making calculations on the basis of the annual growth rate percentages shown elsewhere in the budget report (page 32).

These growth percentages show that the average, annual real increase in the public expenditures amounted to 1.5 percent during the Schluter government-- and not to the 1.0 percent shown in the budget report.

The total growth in the expenditures during the past 5 years, in other words, was 50 percent higher than appears from the most recent report of Minister of Finance Palle Simonsen.

The True Picture

The graph shows the correct picture of the growth in public expenditures since the change in the political system in 1982:

The lower section of the graph shows the increase in the expenditures (in fixed purchasing power) in the total public sector. Here, the gross expenditures increased by 7.7 percent since 1982, while the net expenditures increased by 3.6 percent.

The gross expenditures are the total public expenditures. They reflect the use of resources by the public sector, among other things, in the form of personnel. The net expenditures are only the portion of the total expenditures financed by way of taxes.

The difference between the public gross and net expenditures thus indicates the amount of expenditures financed by other means than via direct and indirect taxes. It may, for example, be user payments to day-care centers, fees to the Danish State Railways and the postal authorities, fees for license plates and passports as well as concession fees for the North Sea oil.

If the gross expenditures have increased more than the net expenditures, this, however, is not merely due to a rather sharp increase in fees. It is also due to the introduction in 1984 of the contribution to the Educational Fund of the Labor Market (the AUD Fund). This contribution is actually a new incomes tax

and, therefore, ought not to be grouped with the user payments, rates and fees. But that is the case in the statements of the Ministry of Finance. The government, of course, would like to present a picture of a low growth rate in the net expenditures and taxes.

Framework Burst

The original objective of the government was to reduce the public gross expenditures by 3 percent from 1983 to 1984 and subsequently keep the expenditures at their lower levels.

This objective, however, was never achieved. They only succeeded in reducing the gross expenditures by 0.3 percent from 1983 to 1984. Since then, the gross expenditures have increased considerably, which appears from the lower section of the graph.

The public gross expenditures this year are 34 billion kroner higher than the original target of the government. The amount exceeds the cost of two Great Belt bridges.

The budget report naturally does not say anything about all these things.

On the other hand, the report points out that the expenditures increased at a considerably higher rate during the former government. As if that would be any achievement on the part of a nonsocialist government. When, some years ago, the government realized that it would not be able to keep down the gross expenditures, it changed objectives. It now merely became a question of preventing the net expenditures from increasing.

In other words: The expenditures would be allowed to increase, provided payment for such increases could be provided via other means than the regular direct and indirect taxes.

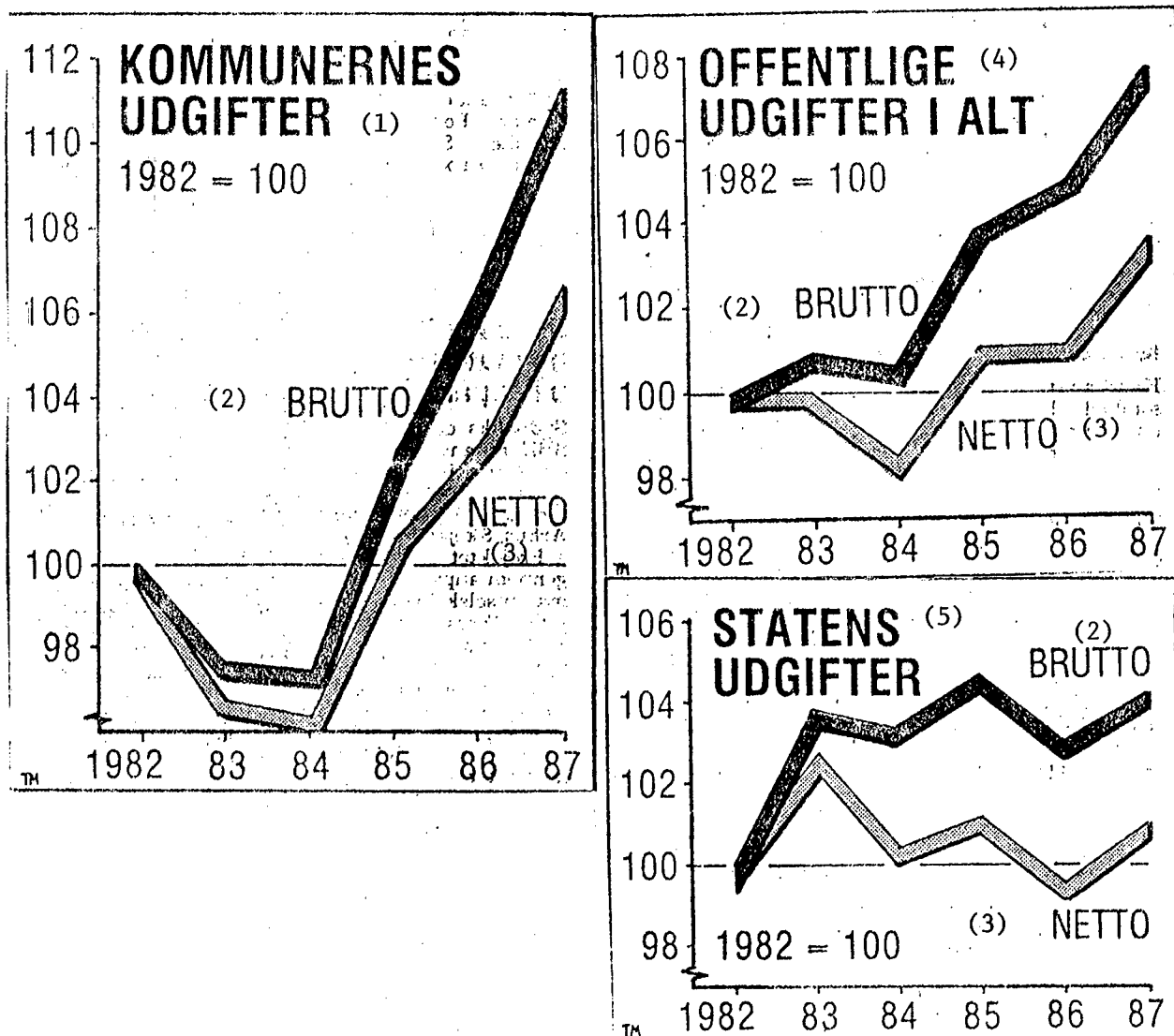
The new budget report shows that the government did not succeed either in keeping the net expenditures down. It is against this background that the government now takes action against the municipalities. The two upper graphs show why:

While the state has kept its net expenditures down, the net expenditures of the municipalities during the last 3 years have increased at an explosive rate.

The government seeks to wash its hands of it and put the blame on the municipalities and the counties for the explosive increase in the expenditures. The municipal politicians most certainly are not without blame either. Not least in many nonsocialist-governed municipalities have the expenditures increased rapidly.

However, it is also a fact that, during the last couple of years, the Four-Leaf-Clover government has imposed new tasks and thus new expenditures on the municipalities. The many expenditure-requiring reforms have been carried through in severe competition with the excessive expenditure policies of the Social Democratic Party and the Socialist People's Party.

It is possible that the government and the Radical Liberal Party will win the election on this expenditure policy, but the national economy will not benefit by it.



The above graphs show the growth rates in fixed purchasing power of the gross and net expenditures of the public sector since the Four-Leaf-Clover government took over in 1982. The increase in public expenditures has primarily taken place within the municipalities. Source: Budget Report 1987, page 32.

- Key:
- | | |
|---------------------------|------------------------------|
| 1. Municipal expenditures | 4. Total public expenditures |
| 2. Gross | 5. Expenditures of state |
| 3. Net | |

7262
CS0: 3613/101

GOVERNMENT AGAIN FORCED TO BORROW DUE TO BUDGET DEFICIT

Copenhagen BERLINGSKE TIDENDE in Danish 2 Jun 87 p 9

[Article by Morten Larsen]

[Text] The government will again have to borrow to pay its debts. This is due to the fact that the Easter package and the potato diet have been effective and that the collective agreements became more expensive than expected. Stagnation has replaced the upswing and give the state fewer revenues.

The surplus last year in the state finances became a single occurrence that is not sufficient to create changes in a positive direction. This year the government again has to borrow to pay its bills, it appears from the budget report of Minister of Finance Palle Simonsen (Conservative Party).

The deficit this year will amount to 3.3 billion kroner. It is 1.6 percent of the turnover of the Treasury and 2.4 billion kroner more than anticipated by Minister of Finance Palle Simonsen when the Folketing last December adopted the budget for 1987. The Minister of Finance interprets it as "largely a balance in the state finances."

Last year the surplus was 7.8 billion kroner on account of the upswing and the Easter package and the potato diet adopted by the Folketing to check it.

The downswing for the Treasury is due to the fact that the efforts to check the upswing were successful. Stagnation has replaced the upswing, and things are anew going in the wrong direction: The rate of consumption and thus the earnings of the state from revenues are declining, the collective agreements became more expensive than expected, and the interest rate is higher than anticipated by the Minister of Finance 4 months ago.

Fewer New Cars

It is especially the import of cars that has been checked. This year the Danes purchase 12 percent fewer new cars than last year, and it is but poor consolation that the earnings of the state on the added-value tax is a little higher than anticipated. It is due to the fact that prices this year increase a little more than expected.

The Danes do not react to the downswing by resorting to the bottle: The 'poison' taxes this year on tobacco, wine, hard liquor and beer yield 0.5 billion kroner less than anticipated by Palle Simonsen during the budget preparations.

On the expenditure side the most important thing is that the government made a too low estimate when last year it estimated the cost of the collective agreements of the spring. They became 1.4 billion kroner more expensive than expected.

This, however, is not reflected in any further increase in the number of unemployed, says Minister of Finance Palle Simonsen. He expects an unchanged number of 235,000 unemployed this year.

Interest Rate of 12 percent

Nor does it help the distressed Treasury that the drop in the interest rate expected by the government's economists following the collective bargaining failed to materialize.

Palle Simonsen expects the interest rate this year to remain at 12 percent as against the expected 10 percent, and it will cost the state 0.5 billion kroner extra in interest on the national debt.

Belt Still Tightened

"The deterioration of the state finances underlines the need to pursue a continued tight expenditure policy," says Palle Simonsen, who warns politicians against expenditures.

"A real growth in the expenditures of the public sector in the coming years will cause a further deterioration in the public finances and reduce the possibilities of growth in the industries competing abroad."

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CSO: 3613/101

BRIEFS

FEBRUARY DEPOSITS DOWN--A new "dive" in deposits for February. They have decreased by 10.5 million drachmae, while they had increased by 52.5 million drachmae at this time last year. Especially in savings deposits that mainly represent the savings of the small depositors, the decrease is impressive: 35.8 billion drachmae, while last year they decreased also by 13.48 billion drachmae. The drop in savings is attributed to the difficulties that the lower middle class is experiencing by having to mobilize their last drachma to take care of the daily expanding costs. It is believed, however, that the increased purchases because of the discounts in February contributed to the reduction in deposits. [Text] [Athens I VRADYNI in Greek 22 May 87 p 20] 9346/12232

CSO: 3521/137

AGNELLI FORTIFIES FAMILY CONTROL OF FIAT, IFI

Rome LA REPUBBLICA in Italian 8 May 87 supplement pp 2-3

[Article by Giuseppe Turani: "Fortress Agnelli"; first two paragraphs are LA REPUBBLICA introduction]

[Text] With the creation of the super holding company "Giovanni Agnelli & Co.," "the Lawyer" has accomplished an authentic masterpiece. Fiat has in fact become an institution, with a strong probability that it will outlive the personal destinies of the various members of the most powerful Italian family.

The problem of the fragmentation of the family has been solved by the creation of a kind of constitutional monarchy. At the summit you have the managers of the new limited partnership corporation; below them, the IFI; and then Fiat. Agnelli has summoned to his side his cousin Giovanni Nasi, his brother Umberto, and the two managers Gabetti and Romiti. It is these men who will decide the fate of the empire.

Turin--Lawyer Agnelli's decision to create a super holding company--in reality, a kind of armored and impregnable super bank vault in which to safeguard control of his group--was taken in November 1986. One month later--in December--the bylaws and structure of this newly created entity had already been prepared. Certain changes were requested by some members of the family, and the attendant discussions lasted until February. The definitive negotiations were finally begun, and 10 days ago the super holding company became reality.

"The Lawyer" has accomplished what will almost certainly be remembered as a financial masterpiece, and Fiat has become in actual fact an institution, with a strong probability that it will outlive the personal destinies of the various members of the most powerful Italian family--and perhaps even continue into eternity. It is a plan that would not have displeased the founder of the group, Senator Giovanni Agnelli.

It was the senator himself who 50 years ago conceived the obsessive desire to protect Fiat--the desire to prevent his successors (or the vicissitudes of history) from breaking up that patrimony of money, knowledge, technology, and power that was even then being heralded as unique on the Italian scene. The IFI had in fact been founded in 1927, initially as an ordinary finance corporation to support the activities of the group; but less than a decade later--in 1935--Senator Agnelli decided that some measures would have to be taken in

Fiat's behalf. The simplest option was to transform IFI into a family holding company and entrust it with a controlling interest in the Turin automobile firm.

For approximately 30 years--until 1968--the IFI remained a very unusual corporation in the field of Italian finance. It controlled the largest private industrial group in the nation, yet its stock was not in circulation; its balance sheets were not publicized; and its shareholders were exclusively members of the founder's family. The meetings of the corporation's stockholders were more than anything else social occasions; they were held without any publicity, although from time to time arguments broke out because dividends were perhaps not quite large enough.

The Senator's Estate

It was also Senator Agnelli himself who ordained that the largest block of IFI shares would go to his grandson Gianni, who had been designated as his direct successor. Changes were subsequently also made in the corporation's bylaws to prevent the members of the family from selling to any outsider these important pieces of paper that gave access to the most powerful--and most closely held--holding company in Italy.

It was in 1968--precisely when the national climate was changing, the first picket lines of metalworkers (which would later give rise to the "hot autumn") were appearing, and Fiat was preparing to enter the most troubled decade of its long history (during which it came close to ruin)--that "the Lawyer" decided to open the windows to the family holding company just a crack. Specifically, he decided to offer the public a limited number of IFI shares and have them listed on the principal Italian stock exchanges and on some foreign ones. He of course did not do so willingly. The IFI needed money, and the only way to get it--without having to bother the old-time shareholders (that is to say, the relatives)--was in fact to bring in new people, but to do so in such a way that they would have no influence. From that time on, anyone who wanted to could become a partner of the Agnellis. But the obsessive desire to prevent outsiders from insinuating themselves into the "bank vault" was still functioning in 1968: the shares that were issued were in fact only preferred shares, which have no voting rights at the regular stockholders' meetings and have no value with respect to control of the corporation.

To sum up, even after this turning point in 1968 the IFI remained a most extraordinary corporation: it was the only corporation of which only the preferred shares were quoted on the exchange. The common stock continued to be firmly held by the members of the family, over which Lawyer Agnelli reigned as indisputable chieftain. There was, in fact, a bit of a tempest in the 1970's, when things were going very badly at Fiat and the IFI actually had to sell some very important holdings (SAI [Industrial Insurance Company] and Rinascente) to keep its own accounts in order, and when Gianni Agnelli and Gianluigi Gabetti, managing director of the corporation, had to go to great lengths to provide somehow a dignified dividend for the family members and keep the discontent from becoming open revolt.

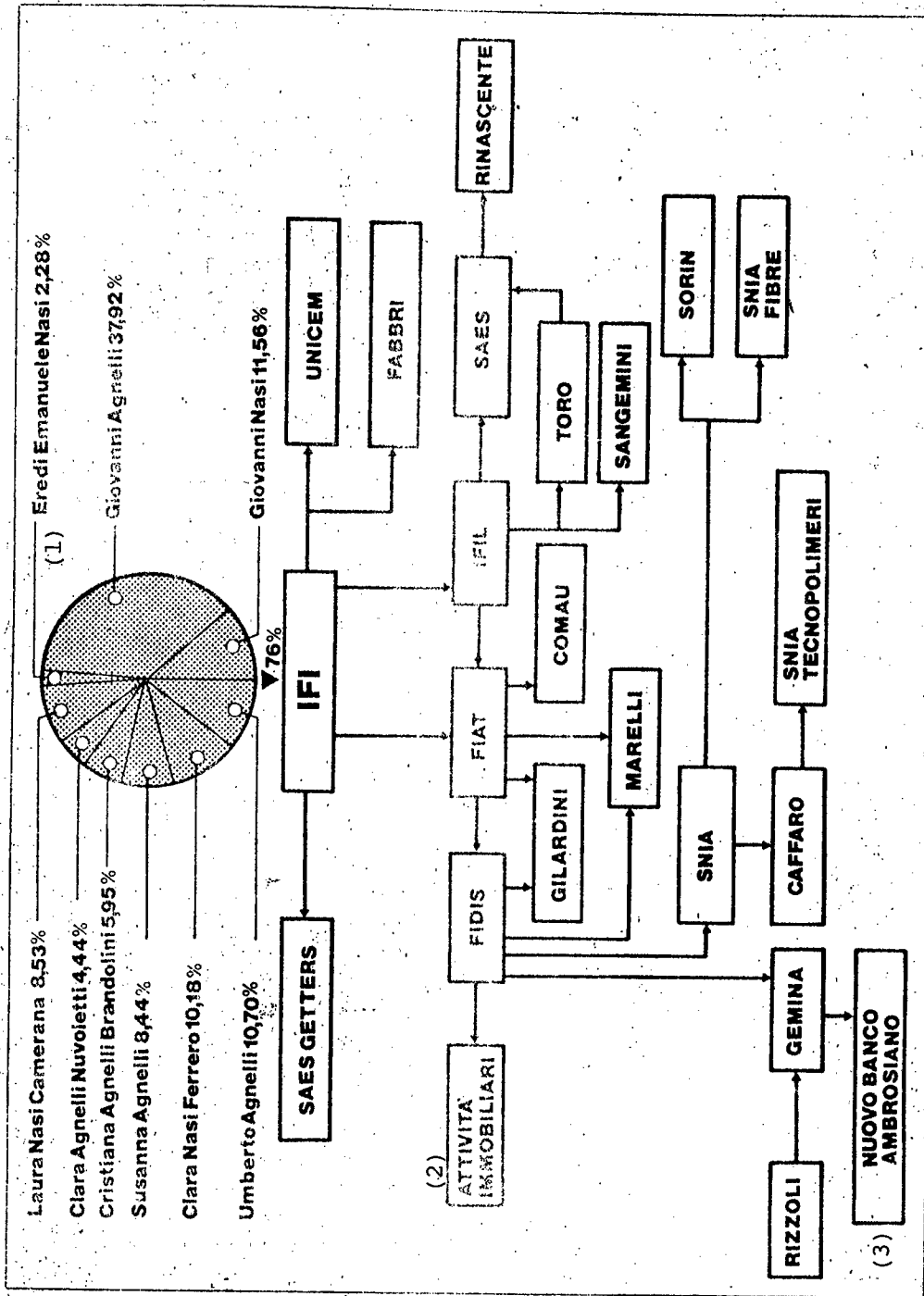
With the advent of the 1980's, however, everything changed, and the chain of events began that would lead to the creation of the super holding company, "Giovanni Agnelli & Co." Fiat had a difficult confrontation with the unions; was victorious; made investments; modernized; and began again to show a profit. In this way, under the leadership of Cesare Romiti and Vittorio Ghidella, Fiat became a veritable money tree. For many years in succession it has doubled its profits every 12 months, reaching 2.5 trillion lire in 1986. The entire group recorded a series of performances that had been unthinkable only 10 years before: IFI reacquired Rinascente, and Toro was acquired to replace SAI. IFI also recovered a large portion of a block of Fiat stock that it had been obliged to sell to Colonel Qadhafi of Libya. Fiat acquired SNIA and--through Gemina--took control of Rizzoli; it also acquired Alfa Romeo and thereby became the only Italian automobile maker except for the small De Tomaso group. It also began to look abroad and to plan for expansion both in Italy and abroad--an expansion whose outlines can be discerned only dimly but which is nonetheless impressive.

Statistics Tell the Fiat Story

A few figures can give an idea of what Fiat has become today. In 1986 the group had gross sales of a little less than 30 trillion lire; in 1987, sales will approach 40 trillion lire (as a result of the assimilation of SNIA and other operations) and profits will exceed 3 trillion (although they will probably be somewhat reduced in order to absorb Alfa's losses). The balance-sheet projections that are kept on the eighth floor of the group's Marconi Street headquarters depict a Fiat that in 1990 will have overall gross sales of more than 50 trillion lire, with profits estimated at between 4 trillion and 5 trillion. At that point--among other things--the Lawyer's empire will probably be the largest in Europe (in terms of gross sales) or at least the second largest, behind the German AEG. Above all, it will not be possible on the Old Continent to conclude any agreements in the automobile field without going through Fiat.

With this past that lies behind them, and the future that lies before them, the Lawyer and his closest collaborators found themselves 6 months ago again at grips with the family's eternal obsession, namely with the question of how to prevent so much power, so much might, and so much money from being dispersed and depleted along the road of hereditary succession. The problem was put into clear and simple terms by Gianni Agnelli himself (who lives as if he had a moral obligation to transmit intact the legacy he received from his grandfather) as follows: At the time of Senator Agnelli's death, the heirs were 12 in number; today there are approximately 50 relatives who on the basis of various claims own shares of IFI common stock; in 15 years they will inevitably number between 150 and 200. The question is: how can this collection of relatives be prevented from becoming litigious and disunited and from opening the door to--who knows whom? In a word, how can you hold together that which nature--and arithmetic--are inevitably tending to divide? Furthermore, how can you prevent the shareholders' meetings of the 200 relatives from being transformed, within a few years, into wearisome meetings to pick the "Successor"--the "Boss" who will have the task of leading the family?

Figure 1. New Structure of the Group



Key:

1. Heirs of Emanuele Nasi
2. Real estate activity
3. New Ambrosiano Bank

The solution arrived at was precisely to create "Giovanni Agnelli & Co.," a limited partnership company. It was a solution that is very similar to the creation of a monarchy that is only slightly constitutional and is in any case endowed with a very strong authoritarian content. In truth, the financial masterpiece that the Lawyer fashioned consisted of his almost total exclusion of the present and future heirs from the power to decide the destiny of the very empire of which they are the owners.

Corporation Versus Limited Partnership

To understand how this was possible, a few words concerning limited partnerships are necessary. The classic corporation is different in one substantial respect: in a corporation the directors serve for 3-year terms and must then be reelected by the assembled stockholders, whereas in a limited partnership their terms never expire. In other words, in a limited partnership the directors do not have to go before the stockholders every 1,000 days to get a vote of confidence; they are ensconced in their posts forever.

There is still another important difference. When a director of a limited partnership ceases to perform the functions of his office (whether because he has resigned or because God has called him to a higher task), the stockholders meet to appoint his replacement, but the replacement must in all cases have the approval of the other directors who are still on the board. In essence, the directors of a limited partnership company are a little like a crown council: they administer the empire and from time to time coopt the new members of the council. In a structure of this type the authentic shareholders remain in the background; they are still the owners, they bank their dividends, but their power to decide the destiny of the group is--as we have said--very uncertain, almost nil.

Political Masterpiece

The Lawyer's political masterpiece, however, was the fact that he managed to convince his relatives to agree to all this. It could not have been very easy. Not all of them agreed to transfer their blocks of IFI stock to the new limited partnership company, which was henceforth to manage their stock for them. Indeed, it appears that the only one who did turn over all his shares was Gianni Agnelli himself. His sister Maria Sole has so far not turned over a single share, and all the others have held some shares back in reserve. In any event, "Giovanni Agnelli & Co." was ultimately successful in getting 76 percent of the IFI common stock into its portfolio--an amount more than sufficient to always have majority control of the IFI and therefore of Fiat as well, inasmuch as the IFI controls almost 40 percent of Fiat's capital stock.

At this point the structure of the new monarchy becomes apparent. At the summit are the directors of the limited partnership company; below them, the IFI; and then Fiat.

Because he selects the directors of the limited partnership, the Lawyer has also solved another problem, namely the possibility of controversy over his successor: he has in practice summoned to his side his cousin Giovanni Nasi,

his own brother Umberto, and the two managers Gianluigi Gabetti (managing director of IFI) and Cesare Romiti (managing director of Fiat). Of the two managers, the former has long been one of the Fiat president's closest collaborators, and the latter the indisputable protagonist of the rehabilitation of the corporation from 1980 on. It will henceforth be these five men--functioning as a kind of very select priestly caste--who will decide the fate of an empire (whose gross sales are approaching 50 trillion lire) that represents a concentration of power which is unique in Italy.

In reality, however, it is the Lawyer himself who will be in charge (at least for the next 10 years, for the bylaws attribute to him (in his capacity as president of the company that bears his name) powers that are almost absolute. It is stipulated that the directors shall retire upon reaching their 75th birthday, but many believe that when this happens to Gianni Agnelli, if he is healthy--and if he so desires--the rules will be changed. Moreover, was it not he who some time ago said, "I shall lead Fiat so long as I am able to go skiing?" In other words, so long as he has the strength for the task.

If on the other hand he decides to retire earlier, he will be replaced by his cousin Giovanni Nasi; and if Nasi has already retired, those "priests" who remain at the top of the limited partnership will make the decision. In any event, it will no longer suffice to own a certain number of shares in order to reach the summit of this empire and administer it. To do so, in other words, one would have to be coopted by the "priests." The selection process--as one might imagine--will be rigorous.

The Lawyer, however, has not limited himself to divesting the present and future members of his own family from the power to decide the future of the group: he has also laid the groundwork for making them one day rich and happy. He has also prepared the mechanism by means of which the IFI--if such ever becomes necessary--could obtain new capital without escaping from the control of the Agnellis.

The mechanism is simple, and many in Piazza Affari have already noted this fact. To date--as we have explained--the IFI common stock (the shares owned by the family) has never been listed on the stock exchange. This has made it difficult (although probably only partially so) for the Lawyer's relatives to sell their shares and realize the full value thereof. It is something that has troubled many of the Agnellis. The "patrimony" concentrated in their hands is indeed large, but it cannot be converted into cash and does not yield a very large return. Each share of IFI common stock is probably worth between 40,000 and 50,000 lire but yields dividends of only 200 lire per year. The disproportion between the two figures is obvious, and that is why some members of the family have for years urged the Lawyer to list the IFI common stock on the exchange. The response was always negative, however, precisely because Gianni Agnelli wanted to prevent the listing (and ensuing sale) of the stock from bringing about precisely that dispersion of control of the IFI which he so obsessively fears.

But now things have changed. "Giovanni Agnelli & Co."--the impregnable "bank vault" that we have described--controls 76 percent of the IFI common stock.

The remaining shares--those that have remained in the hands of the family members--could be listed and conceivably sold. At the Marconi Street headquarters they say the Lawyer is still opposed, but the relatives hope that as the years go by he will relent and allow them to become a little wealthier.

"New Money"

At some future time, however, Gianni Agnelli himself may decide to list the IFI common stock. The reason is simple: this step must be taken before the IFI can be authorized to issue savings shares. That is to say, the IFI could then be authorized to sell to the public--in exchange for "new money"--shares of stock that would, however, carry no weight at the stockholders' meetings or in corporate decision-making. In short, by following this course the IFI and Fiat could find new money for their development, and the Lawyer's relatives could obtain some cash.

In short, the Lawyer has at one stroke sent the Greater Family into retirement; assured himself absolute power for the next 10 years; established very rigorous criteria for the selection of his successor; and in addition arranged matters so that if the IFI and Fiat at some future date need money, they need only list the IFI common stock on the Stock Exchange and then issue savings shares.

10992

CSO: 3528/119

ECONOMISTS URGE CONTINUING MEASURES TO HOLD LINE ON BUDGET

Inflationary Factors in Budget

Oslo AFTENPOSTEN in Norwegian 18 May 87 p 19

[Article by Cecilie Norland: "Norway Must Hold a Tight Line"]

[Text] The problems with Norway's large price and costs growth will not be solved by initiatives in a revised national budget. But the government gets good grades for having upheld the belt-tightening lines. The professional economists stress the need for a continued tight line in economic policy. Director Ingvar Strom of DnC wants a stronger belt-tightening than just holding to the budget profile.

"Norway is in a situation with unbelievably large growth in price and costs, and it is regrettable that one cannot steel oneself to carry out a basic reduction in government expenditures, for example, in financial support. We have good reason to tighten things now, because the level of activity is still high and unemployment low," Strom said. He also thinks that the economy can develop better in some areas than the government is planning. Private consumption can fall more strongly, and the import surplus can decline.

Estimates Will Go Wrong

"It is disturbing that the budget is not tighter. The presentation weakens our possibility of reducing the level of prices and costs. I am afraid that both the price and wage predictions will go wrong.

"Even with a strong decline through the year, Norway is headed for a price rise of nine percent this year -- not between eight and 8.5 as the government is predicting. Wage growth as a whole can quickly rise to ten percent -- well over the 6.5 the government is basing itself on," Strom said.

He also said that a new weakening in competitive ability is coming, and that this will weaken the possibilities we have for increasing exports by transferring resources to sectors exposed to competition.

Tighten Up in '88

Branch Director Jan Fredrik Qvigstad in Norway's Bank said in a commentary that most important thing now is to carry out the belt-tightening provisions in the revised budget completely. The underlying growth rate in the Norwegian economy is still so strong that there is need for a tightening corresponding to about 1.5 percent of the gross national product in 1988, Qvigstad thinks.

"Is Norway's Bank afraid that the large hourly wage growth in industry will lead to pressure on the rate of exchange of the krone?

"When the hourly wage growth for workers in industry seems to be getting as high as 18-20 percent from the first quarter last year to the first quarter of this year, this is because work-shortening is crashing in with a whole 7.9 percent. The shortening of work time was a misfortune, but it is now history, and the yearly growth will not be nearly as great as the growth from quarter to quarter indicates. I do not think the krone will come under pressure. I have faith that the currency markets see through the figures," Qvigstad said.

He considers the government's price estimate to be realistic, but he is somewhat more uncertain about wage growth.

Better Than Expected

"It is very positive that the government now is carrying out the economic plan that was in the budget for 1987. This budget is a significant tightening in relation to the financial policy of previous years," Director Einar Forsbakk of the Savings Bank Union said. He believes that the government's estimate of price development is realistic, but is somewhat more skeptical about the wage estimate, and he thinks that both the foreign economic situation and private consumption can develop in a more positive direction than the government laid out in the budget.

"In the short run I think that economic activity is about to calm down. The labor market will follow a little later, but this is because of the shortening of work time," Forsbakk said.

Finance Minister Replies

Oslo AFTENPOSTEN in Norwegian 23 May 87 p 2

[Op Ed Article by Finance Minister Gunnar Berge: "Tight Policy Necessary"]

[Text] In the commentaries on the revised national budget some have said that the finance policy presentation is not tight enough. It was particularly said by the Conservative Party that the government is underestimating the problems in the Norwegian economy.

I think that the Conservative Party should soften its criticism when we know that the year's economic proposal is significantly tighter than last years' budget, which the Conservative Party was responsible for. While the Conservative Party in the election year 1985 let loose an uncontrolled

consumption growth, this government has presented a budget that fits the economic problems of the country.

Clear Tightening

In order to come out of the bad weather we were in during the change of governments, it has been necessary to change the economic policy. The budget the Storting approved before Christmas contains a tightening of 1.5 percent from 1986 to 1987, measured in relation to the gross national product.

In the revised national budget we assure the consistent execution of this plan, in such a way that the budget remains at least as tight as in the balance in December.

Reductions

In the revised national budget we have managed to cover all expense requests. In order to make room for completely necessary additional appropriations, several items of expenditure have been pared down, and besides this, measures to increase government income have been proposed. Calculated on a year's basis, the belt-tightening measures amount to about one billion kroner. For the first time since 1975 the budget has been set up with a surplus, even if we ignore the oil imports.

Wage Settlement

Should we have tightened up a little more? Some seem to think so. What one forgets to consider is this spring's wage settlement. We have wage agreements behind us in which the participants in the economy have shown great responsibility to get the economy on its feet again. The central agreements have been made without central increases. The latest reports tell of great restraint in many factories, as well as in local wage negotiations. The parties have agreed to wage policy cooperation with the authorities to solve the country's economic problems. Here the government cannot answer by suggesting measures that will be considered unreasonable for all those who have voluntarily refused wage increases.

A Limit

It is also necessary to understand that there is a limit on how far we can tighten up in one year before important common tasks are hurt. We have pared down so much in the 1987 budget that we think it is defensible without affecting essential welfare goals. The crisis in the Norwegian economy must be solved over several years, but the change in direction the government has begun has put us on the right track. Therefore there is no reason for extensive changes in the economic proposal, either. Besides that, we are in the middle of a budget year, and from the start there is a limit to possible changes. Now it is important first of all to see that there is a consistent follow-up to the economic proposal that a large majority in the Storting have already approved.

Signs of Improvement

The figures in the revised national budget show that the government's measures are working. Even if it is a long way off, we are beginning to see results of work to revive the economy. Since last summer a marked change has occurred in domestic demand. Private consumption is decreasing, and we are predicting a decline this year of one percent. In comparison, private consumption increased by 17 percent, or 40 billion kroner, from 1984 to 1986. This is the largest growth ever measured in a two-year period.

In the import of goods, also, there has been a clear decline. At the same time, exports have increased. We now calculate that imports will be reduced by four to five percent from 1986 to 1987, while exports will increase comparably. Together with some higher oil prices and great oil production, this means that the deficit in the trade balance economy will be significantly lower than predicted. In the balancing proposition a deficit of 29 billion kroner was assumed. Now this has been reduced to 27 billion. Before the Willoch government left, the deficit in 1987 was estimated at 45 billion kroner.

Nevertheless, the deficit continues to be much too high. Together with the growth in prices and costs, it makes up the main problem in the Norwegian economy. The government is concerned about the increase in costs and thinks that it is very important to limit it.

After a period of relatively large price rises, we calculate a clearly lower price rise in the next six months, so that the rate of increase can come down to six to seven percent. In this way we can go into 1988 with a much better starting point. The goal is to bring the price increase down to the level of our trading partners, and to create a balance in foreign trade. We can also achieve this by following the course we have staked out. But it requires tight budgets for many years to come. The 1987 budget is just the introduction to the cure we must take to solve the problems in the Norwegian economy.

9124

CSO: 3639/67

OIL PRICE RISE SEEN ONLY SLIGHT BOOST FOR 'MAINLAND' SECTOR

Oslo AFTENPOSTEN in Norwegian 18 May 87 p 19

[Article by Cecilie Norland: "Red Ink for Mainland Norway"]

[Text] The rise in oil prices will improve the Norwegian foreign economic situation, but the deficit for mainland Norway will still be as high as 87.5 billion kroner at the end of 1987, and only "better and moderate through 1988."

This is the government's evaluation of further developments in the Norwegian economy. The revised budget is also counting on a continued lowering of total demand and production growth.

The picture of the Norwegian economy has changed in a series of points since the national budget and the balancing proposition were presented last fall. Production of oil and gas will increase by about 16 percent this year, something that gives a clearly stronger production growth than the national budget predicted. Investments outside of oil and shipping are now predicted to fall by 0.5 percent this year -- in the national budget the government figured on a growth of two percent. In industrial investments, the changes are even greater; here the government now calculates a fall of five percent from 1986 to 1987. In the national budget a growth of five percent was calculated.

Fall in Private Consumption

Previously the government estimated a growth in private consumption of 0.4 percent this year -- now it calculates a decline of one percent from 1986 to 1987. The estimate for private consumption is uncertain, among other things, because no one knows whether and to what degree private saving will increase. In 1986 saving went down to minus six percent, and it is predicted to increase gradually in the years to come.

Weak Growth

Gross national product for Norway is expected to increase by two percent from 1986 to 1987. Ignoring oil and shipping, the growth estimate is only 1.25 percent. The government thinks that the decline in production growth will apply to all individual companies. But the growth is assumed to be stronger

for exporting firms than for those competing at home and for protected industries.

Government consumption will increase more than the gross national product, by about 2.5 percent in 1987. The growth of the districts is calculated at one percent.

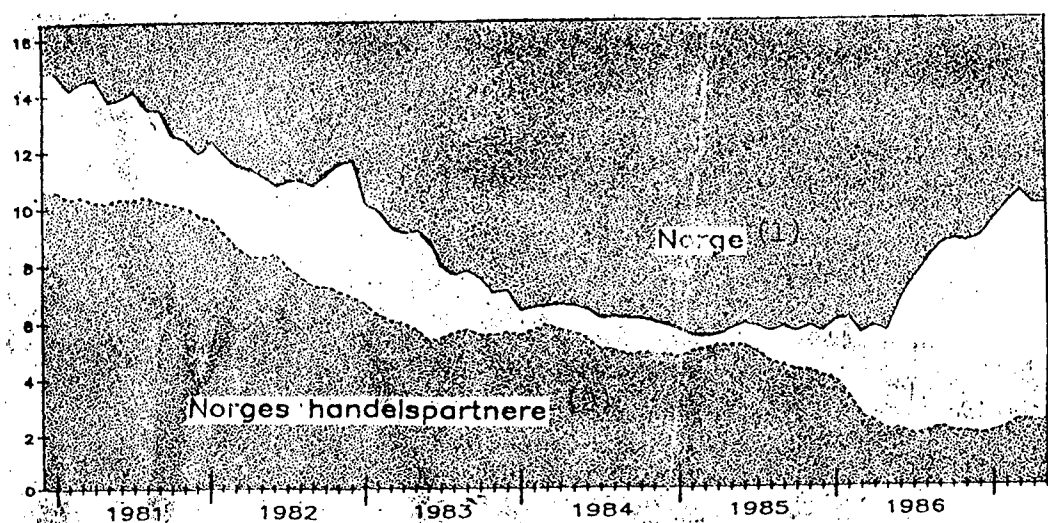


Figure 1. Norway and Norway's Trading Partners

The diagram illustrates one of the main problems in the Norwegian economy: the gap between our price increases and those of our competitors, a gap which has contributed to weaken Norway's competitive ability.

Key:

1. Norway
2. Norway's trading partners

Oil Price Saves Us

The government has adjusted the estimate for Norway's foreign deficit quite strongly downward in relation to both the national budget and the balancing proposition. In the national budget the total deficit was calculated at 43 billion, in the balancing proposition at 30 billion, and now in the revised budget it is put at 27 billion kroner. The government itself writes that the downward adjustment comes mainly because the estimate for the export value of oil and gas has increased by ten billion kroner, and the estimate for the export of used ship and oil platforms has increased by five billion.

The deficit in the traditional balance of goods is expected to sink by seven billion kroner, from 75 billion kroner last year to 68 billion this year. The balance of services looks as if it will be weaker in 1987 as well, in spite of the fact that domestic demand seems to have been reduced. The deficit in the interest and aid balance also looks like it will be larger; the government calculates an increase from minus 15.2 billion last year to minus 18 billion this year, because of the growth in Norway's foreign debt.

BRIEFS

COUNTRY'S IMPORTS INCREASE--Imports of consumer goods, investment goods, and raw materials increased in value in the first quarter compared with the first quarter last year. Altogether imports amounted to 37 billion kroner in January, February, and March, and this is a good two billion kroner more than in the course of the first three months last year. Of the total imports, consumer goods made up 10.7 billion kroner, the import of investments eight billion, and raw material imports just 18 billion kroner. [Text] [Oslo AFTERNPOSTEN in Norwegian 23 May 87 p 24] 9124

CSO: 3639/67

PRESS DISCUSSES CURRENT EMPLOYMENT ISSUES

Latest Unemployment Data

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 4 Jun 87 pp 1-2

[Article by Sch.: "Unemployment Slightly Lower; Franke Speaks of 'Stagnation'; At End of May 117,200 Fewer Unemployed Than in Preceding Month; Foreigners Have Greater Difficulty Finding Work"]

[Text] Unemployment declined in May. At the end of May the number of unemployed was 2.098 million, 117,000 or 5 percent fewer than in April, 23,000 or one percent fewer than a year ago. The unemployment rate--it provides the ratio of unemployed to the total number of the employed wage and salary earners--thus has declined from 8.8 to 8.3 percent; a year ago it had been 8.5 percent.

The president of the Federal Employment Agency, Franke, who announced the new figures now in Nuremberg, attributed the reduction to the seasonal revival postponed by the cold weather. Aside from the seasonal revival there is no improvement of the labor market at the present time. All indicators combined rather point to "stagnation," Franke said, who protested against the charge that he had dramatized the situation during past weeks. No "shrill alarm signals" have come from Nuremberg, but, since the end of 1986, clear indications of a flattening out.

The seasonally adjusted values as well, which have been slightly rising since the end of 1986, also illustrate the stagnation. The figures for manpower demand--seasonally adjusted--point downward, the data for gainful employment recently increased only a little. According to initial estimates of the Federal Statistical Office, April employment totaled 25.78 million, 197,000 more than a year before. In March the 1986 level had been exceeded by 218,000, in February by 231,000. The continued critical situation on the labor market is also shown by a comparison between the first five months of 1987 with the comparable 1986 figures. The increase in unemployed in this period amounted to 1.56 million, slightly more than in 1986. Of these newly reported unemployed, just under 74 percent were previously gainfully employed, 3 percent were in plant occupational training and 23 percent had not yet been gainfully

employed or had not been gainfully employed for some time. Between January and May, unemployment ended for a total of 1.68 million persons; that is a reduction of 5 percent over the comparable 1986 period.

The development, in general disappointing, is attributable to the diminished manpower demand. A total of 773,400 unfilled vacancies were reported between January and May, one percent less than in 1986. Also the number of short-hours workers, which declined by 27 percent to 221,700 compared to April, had been clearly higher in May (45 percent) than in 1986. Less short-hours work has been reported merely by the construction industry; in nearly all other branches of the economy the enterprises had to report short-hours work for more of the labor force than in 1986.

This applies especially to machine building, electrical engineering, and metal working. The situation remains especially difficult for foreigners seeking work. At the end of May there were 253,700 foreigners without work, 5 percent more than a year ago. Their unemployment rate is now about 13.8 percent (1986: 13.2 percent). The Federal Employment Agency explains the development by the fact that the potential of foreign gainfully employed persons continues to grow. The foreign resident population has a noticeable increase. At the end of March 1987 over 4.5 million foreigners lived in the FRG, just under 130,000 or 3 percent more than in 1986. The labor market for youths has developed considerably more favorably than heretofore. At the end of May 106,400 young people under age 20 were unemployed, which is the lowest level since mid-1981. Thus it was 10 percent below the 1986 level.

Parties' Reactions Differ

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 4 Jun 87 p 2

[Text] The federal government and the opposition differed in their assessment of the latest labor market data. In the opinion of the federal government, the latest development proves that the spring improvement of the labor market has continued in May with a further reduction of unemployment and short-hours work. What is welcome is the fact youth unemployment experienced an above-average strong decline to the lowest level since 1981. The chairman of the Labor and Social Affairs Working Group of the CDU/CSU parliamentary group, Guenter, speaks of "predominantly positive data for May." He says there is no reason for a change of opinion about an optimistic assessment of the future. However, the additional work force potential must be taken into account for the development. According to the assessment of the sociopolitical spokesman of the CSU Land group, Seehofer, the May figures are the most favorable ones since 1982. Total employment has increased by 110,000. The sociopolitical spokesman of the FDP Bundestag parliamentary group, Cronenberg, expressed the conviction that the consolidation on the labor

market has continued. The deputy chairman of the SPD Bundestag parliamentary group, Anke Fuchs, said the federal government refuses "with constant malice to institute measures to combat mass unemployment." Mrs Fuchs said that CDU/CSU have written off the unemployed. She again demanded implementation of the SPD's "Labor and Environment" proposal by which 400,000 jobs could be created. In the opinion of a Greens deputy, Selin, the latest data showed that the economic and employment policy of the federal government has failed; all signs indicate that unemployment will continue to increase in the coming months.

Labor Market Remedies Suggested

Duesseldorf HANDELSBLATT in German 18 May 87 p 3

[Article: "Labor Costs Must Be Kept in Check and in Proportion; Employers' Murmann Asks for Political Activity"]

[Text] Employers' President Klaus Murmann asked the representatives of industry for active work in politics.

It cannot go on that the Land and municipal parliaments free themselves of industry and are full of civil servants and teachers, Murmann said in Baden-Baden in addressing the managers conference of the Federal Union of the German Employer Associations (BDA).

If that continues, Murmann added, then the quality of those who make policy will "unfortunately be reduced in our eyes."

Murmann sees short-hours work as the greatest potential for improving the labor market even in a faltering economy. He said this is a field that can be shaped to a great extent, a field on which the employers should also work. Hundreds of thousands are looking for short-hours work and are prepared to earn less. However the personnel organizations in the enterprises frequently are not prepared for that, Murmann noted. The enterprises should also be aware that short-hours work with shorter daily working hours can result in greater productivity.

The employer president appealed to the enterprises to inform the labor force in time when new technologies are introduced. As a result there is no resistance. The employees not only accept the new technology, they even want it.

The BDA deputy general manager, Dr. Fritz-Heinz Himmelreich, felt that it was much simpler to call unemployment a "social scandal" than to reduce it. The respective magic formulas, state spending programs running into billions and redistribution of the work by shorter working hours, have long ago lost their theoretical fascination as a result of their demonstrable inappropriateness. A dangerous illusion, he said, is the

redistribution of labor if it is believed that less and more costly labor can produce more growth and jobs. There is no such thing as a total number of working hours to be performed which are set more or less by the technical development and are reserved for the German economy, working hours that can be arbitrarily cut up into individual portions and allocated to more people.

For the metallurgical industry it has been established that the increase in employment can be attributed more to cyclical impulses and greater production growth than to the reduction of working hours. Moreover, especially greater flexibility was of decisive importance.

Himmelreich identified as a promising course a comprehensive growth and employment policy looking at the economy as a whole and a supporting active labor market policy.

--It must be the principal aim of all efforts directed at the reduction of unemployment to create more competitive jobs. To this end a growth-political forward strategy with greater dynamic, flexibility, and mobility and consistent utilization of technical progress are required.

--At the same time the labor market must be released from its rigidity and labor itself must more rapidly adapt to the demands of the markets.

--In addition and in support, latitude for job-creating measures should be used and expanded. Such labor market policy activities alleviated the pressure of the still growing employable population on the labor market.

Especially if the international interpenetration and the dependence of the German economy on foreign countries are considered, he said, it is a crucial task to keep the labor costs in check and in proportion. The amount of the labor costs continues to be a sustained brake on the creation of additional jobs. Brakes must be applied to the motor of the legal additional personnel costs, especially of the social insurance contributions.

Jobs must not come to nothing because labor is too expensive and too rigid, and to put it more precisely, there is enough work, only the manpower for it costs too much.

12356

CSO: 3620/239

ITALY

SOCIAL

BRIEFS

ENEA, MINISTRY COLLABORATE ON POLLUTION--Rome--A cooperation agreement under which ENEA will place its resources and facilities at the disposal of the Ministry of Environment was signed in Rome by Minister of Environment Mario Pavan and by ENEA President Umberto Colombo. The main portions of the agreement cover technology for elimination and recycling of waste, restoration of areas of high environmental value, and development of computer resources for national management. The agreement provides that ENEA will appoint technical and consulting personnel on scientific aspects indicated by the ministry, for example, preparation of the biennial report on the state of the environment. Pavan noted that the agreement signed was the second drawn up by the ministry, following the one providing for full utilization of the 6,000 forest personnel for ecological protection. In future, there will be agreements with other state organs and bodies. [Text] [Rome IL TEMPO in Italian 6 May 87 p 8] 9920

CSO: 3528/128

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